SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report: September 21, 1995

FEDERATED DEPARTMENT STORES, INC.

1440 Broadway, New York, New York 10018
(212) 840-1440

-and-

7 West Seventh Street, Cincinnati,Ohio 45202
(513) 579-7000

Delaware	1-13536	13-3324058
(State of Incorporation)	(Commission File No.)	(IRS Id. No.)

Exhibit Index on Page 25

Item 5. Other Events.

This Current Report on Form 8-K is being filed with the Securities and Exchange Commission (the "Commission") by Federated Department Stores, Inc. ("Federated") for the purpose of setting forth the following information to be incorporated by reference into Federated's Registration Statement on Form S-3 (File No. 33-59691):

RECENT DEVELOPMENTS

On August 14, 1995, Federated, a wholly owned subsidiary of Federated ("Newco"), and Broadway Stores, Inc. ("Broadway") entered into an agreement (the "Merger Agreement") pursuant to which, on the terms and subject to the conditions set forth therein, Newco will be merged with and into Broadway (the "Merger"), and Broadway will thereby become a subsidiary of Federated. The Merger is intended to permit Federated to broaden its base of department store operations in the areas in which Broadway's department stores are operated (primarily California and the Southwestern United States).

At the effective time of the Merger (the "Effective Time"), among other things, each outstanding share of Broadway common stock will be converted into 0.27 shares of common stock of Federated ("Common Stock"), resulting in the issuance of approximately 12.7 million shares of Common Stock. In addition, the Merger will result in (i) adjustments to outstanding options to purchase Broadway common stock so that such options will become exercisable in the aggregate to purchase approximately 1.5 million shares of Common Stock at prices ranging from $14.81 to $51.85 per share and (ii) adjustments to outstanding warrants to purchase Broadway common stock, and the issuance of Broadway preferred stock exchangeable for warrants to purchase Common Stock, so that such adjusted warrants and such warrants issuable upon the exchange of such preferred stock will be exercisable in the aggregate to purchase approximately 0.6 million shares of Common Stock at a price of $62.96 per share (subject to adjustment in certain circumstances).

In connection with the Merger Agreement, Federated and Broadway's majority stockholder entered into an agreement, pursuant to which, among other things, such stockholder agreed to vote all of the shares of Broadway common stock owned by it in favor of the adoption of the Merger Agreement and granted to Federated an option to purchase such shares for consideration consisting of 0.27 shares of Common Stock for each such share of Broadway common stock. In addition, Federated, a wholly owned subsidiary of Federated ("FNC II"), and The Prudential Insurance Company of America ("Prudential") entered into an agreement (the "Prudential Agreement") providing for the purchase by FNC II from Prudential of certain mortgage indebtedness of Broadway (the "Broadway/Prudential Mortgage Debt") for consideration consisting of a $221.1 million promissory note of FNC II and, at FNC II's option, either $200.0 million in cash or a number of shares of the Common Stock determined in accordance with the provisions of the Prudential Agreement. Each of Prudential and Broadway's majority stockholder was granted certain registration rights with respect to the shares of Common Stock issuable to it in connection with the transactions described above.

The obligations of Federated and Broadway to consummate the Merger are conditioned upon, among other things, (i) adoption of the Merger Agreement by Broadway's stockholders; (ii) the absence of any order or injunction that prohibits the consummation of the transactions contemplated by the Merger Agreement; and (iii) all consents, authorizations, orders, and approvals of any governmental authority required in connection with the Merger Agreement having been obtained, other than any such consents, authorizations, orders, or approvals which, if not obtained, would not have a material adverse effect on the business, financial condition, or results of operations of Broadway. The Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") frequently scrutinize the legality under the antitrust laws of transactions such as the Merger. At any time before or after the Effective Time, the FTC or the Antitrust Division could, among other things, seek under the antitrust laws to enjoin the Merger or to cause Federated to divest itself, in whole or in part, of Broadway or of other assets owned or businesses conducted by Federated. Under certain circumstances, private parties and state governmental authorities could also bring legal action under the antitrust laws challenging the Merger.

Federated anticipates that a number of Broadway's stores will be disposed of following the Merger. As of the date hereof, however, Federated had not entered into any agreements providing for such dispositions and there can be no assurance that Federated will do so or as to the timing or terms thereof. If the Merger is completed, Federated anticipates that Broadway's retained department stores will be converted into Macy's, Bullock's, or Bloomingdale's stores commencing early in 1996.

On or about the date hereof, Federated intends to enter into an agreement providing for the issuance and sale in an underwritten public offering of $250.0 million aggregate principal amount of Convertible Subordinated Notes Due 2003 of Federated (the "Notes"), and for the grant to the underwriters of such offering of an option to purchase up to an additional $37.5 million aggregate principal amount of Notes to cover over-allotments, if any. The net proceeds of the offering of the Notes (the "Offering") are estimated to be approximately $243.8 million (assuming that the Underwriters' over-allotment option is not exercised). Of such amount, up to approximately $145.0 million is expected to be used to fund the aggregate purchase price for such of the 6-1/4% Convertible Senior Subordinated Notes Due 2000 of Broadway (the "Broadway Convertible Notes") that Broadway may be required to purchase pursuant to a mandatory offer to repurchase all of the Broadway Convertible Notes following the Merger. The remainder of such amount, together with other funds available to Federated, is expected to be used to pay certain costs and expenses associated with the Merger and the conversion of certain of Broadway's stores into Macy's, Bullock's, and Bloomingdale's stores (including costs and expenses associated with the remodelling of such stores in connection with such conversions). Prior to the application thereof as described above, the net proceeds of the Offering are expected to be used by Federated to temporarily reduce revolving credit borrowings. If the Merger were to fail to occur (which failure is not anticipated), it is anticipated that the net proceeds of the Offering would be used for general corporate purposes, which may include the repayment of indebtedness outstanding from time to time, acquisitions, new store construction, store expansions, and further investments in technology.

See "Capitalization" and "Unaudited Pro Forma Financial Information" for certain information giving effect to the consummation of the Merger, the purchase by FNC II of the Broadway/Prudential Mortgage Debt, and the issuance and sale of the Notes, as though such transactions had been consummated as of specified historical dates.

CAPITALIZATION

The following table sets forth (i) the capitalization of each of Federated and Broadway as of July 29, 1995, (ii) the pro forma capitalization of Federated as of that date, giving effect to the consummation of the Merger and the purchase by FNC II of the Broadway/Prudential Mortgage Debt for consideration assumed to consist of a $221,149,531 promissory note of FNC II, 6,751,055 shares of the Common Stock, and $6,751,051 in cash, and (iii) the pro forma capitalization of Federated as of such date, as adjusted to give effect to the Offering (assuming no exercise of the underwriters' over-allotment option) and the application of the net proceeds thereof to repurchase the entire outstanding principal amount of the Broadway Convertible Notes and to temporarily reduce revolving credit borrowings (see "Recent Developments"), as if such transactions had been consummated as of such date.

The pro forma information set forth below is presented for illustrative purposes only and is not necessarily indicative of what Federated's actual consolidated capitalization would have been had the foregoing transactions been consummated on July 29, 1995, nor does it give effect to (a) any transactions other than the foregoing transactions and those discussed in the Notes to Unaudited Pro Forma Financial Information contained herein or (b)

Federated's or Broadway's respective results of operations since July 29, 1995. Accordingly, the pro forma information set forth below does not purport to be indicative of Federated's consolidated capitalization as of the date hereof, the Effective Time, or any other future date.

The following table should be read in conjunction with the historical financial statements of Federated and Broadway, the unaudited pro forma financial information and the related notes, and the other information contained herein.

<TABLE><CAPTION>

PRO FORMA CAPITALIZATION
July 29, 1995
(unaudited)
(in thousands)

<S>	Historical <C> Federated	<C> Broadway	<C> Pro Forma	<C> As Adjusted for the Offering
Short-term debt:				
Bank credit facility	$ 200,000	$ ----	$ 200,000	$ 100,000
Working capital facility	----	51,676	51,676	51,676
Current portion of long-term debt	59,988	6,750	66,738	66,738
Total short-term debt	259,988	58,426	318,414	218,414
Long-term debt:				
Bank credit facility	1,700,000	----	1,700,000	1,700,000
Receivables backed certificates	1,654,052	----	1,654,052	1,654,052
Receivable based financing	----	503,584	503,584	503,584
The Notes	----	----	----	250,000
Senior notes	450,000	----	450,000	450,000
Mortgages	416,844	521,384	517,078	517,078
Senior convertible discount notes . . .	307,383	----	307,383	307,383
FNC note	----	----	221,150	221,150
Broadway Convertible Notes (a)	----	143,750	143,750	----
Tax notes	174,749	----	174,749	174,749
Note monetization facility (b)	352,000	----	352,000	352,000

Capitalized leases	65,633	39,930	105,563	105,563
Other	784	----	784	784
Total long-term debt	5,121,445	1,208,648	6,130,093	6,236,343
Total debt	5,381,433	1,267,074	6,448,507	6,454,757
Shareholders' equity:				
Common stock outstanding	2,126	470	2,321	2,321
Preferred stock outstanding	----	8	----	----
Additional paid-in capital	3,712,681	502,545	4,269,068	4,269,068
Retained earnings (deficit)	369,948	(197,610)	369,948	369,948
Treasury stock	(560,436)	----	(560,436)	(560,436)
Total shareholders' equity	3,524,319	305,413	4,080,901	4,080,901
Total capitalization	$8,905,752	$1,572,487	$10,529,408	$10,535,658
Ratio of total debt to total capitalization (excluding note monetization facility) .	58.80%	80.58%	59.90%	59.93%

</TABLE>

(a) Following the consummation of the Merger, Broadway will be required to offer to purchase all of the outstanding Broadway Convertible Notes at a price equal to the principal amount thereof plus accrued interest.

(b) The note monetization facility represents debt of a trust of which Federated is the beneficiary. The repayment of such debt is nonrecourse to Federated and its assets (other than its interests in such trust).

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements of Federated give effect to (i) the consummation of the Merger and the purchase by FNC II of the Broadway/Prudential Mortgage Debt for consideration assumed to consist of a $221,149,531 promissory note of FNC II, 6,751,055 shares of Common Stock, and $6,751,051 in cash (the "Debt Purchase") and (ii) the Offering (assuming no exercise of the underwriters' over-allotment option) and the application of the net proceeds thereof to repurchase the entire outstanding principal amount of the Broadway Convertible Notes and to temporarily reduce revolving credit borrowings (see "Recent Developments"), in each case as if the foregoing transactions had been consummated on July 29, 1995, in the case of the Unaudited Pro Forma Balance Sheet at July 29, 1995, and on January 30, 1994, in the case of the Unaudited Pro Forma Statements of Operations for the 26 weeks ended July 29, 1995 and the 52 weeks ended January 28, 1995. Because Federated's acquisition of Macy's on December 19, 1994 was accounted for under the purchase method of accounting, Federated's historical statements of operations give effect to the results of operations of the R.H. Macy & Co. ("Macy's") business only from and after such date. The Unaudited Pro Forma Statement of Operations for the 52 weeks ended January 28, 1995 gives effect to Federated's acquisition of Macy's as if such acquisition had been consummated on January 30, 1994 rather than on December 19, 1994.

The following unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what Federated's actual financial position or results of operations would have been had the foregoing transactions, including the acquisition of Macy's, been consummated on such dates, nor does it give effect to (a) any transactions other than those discussed above or in the accompanying Notes to Unaudited Pro Forma Financial Information, (b) Federated's or Broadway's results of operations since July 29, 1995, (c) the synergies, cost savings, and one-time charges expected to result from the Merger and from the acquisition of Macy's, or (d) the effects of sales of stores which may occur subsequent to the Merger. Accordingly, the pro forma financial information does not purport to be indicative of Federated's financial position or results of operations as of the date hereof or for any period ended on the date hereof, as of the Effective Time, for any period ending at the Effective Time, or as of or for any other future date or period.

The following unaudited pro forma financial information is based in part on the historical financial statements of Federated and Broadway (and, with respect to the 52-weeks ended January 28, 1995, certain financial data of Macy's) and should

be read in conjunction with such historical financial statements, the related notes, and the other information contained herein or in the exhibits hereto. Certain historical financial statements of Broadway and Macy's are filed as Exhibits 99.1 and 99.2, respectively, hereto and are incorporated herein by reference. Certain items derived from Broadway's historical financial statements have been reclassified to conform to the pro forma presentation.

In the preparation of the following unaudited pro forma financial information, it has been generally assumed that the historical book value of Broadway's assets approximates the fair value thereof, as an independent valuation has not been completed. Federated will be required to determine the fair value of the assets of Broadway (including intangible assets) as of the Effective Time. Although such determination of fair value is not presently expected to result in values that are materially greater or less than the values assumed in the preparation of the following unaudited pro forma financial information, there can be no assurance with respect thereto.

The retail business is seasonal in nature, with a higher proportion of sales and earnings usually being generated in the months of November and December than in other periods. Because of this seasonality and other factors, results of operations for an interim period are not necessarily indicative of results of operations for an entire fiscal year.

<TABLE><CAPTION>

UNAUDITED PRO FORMA BALANCE SHEET
July 29, 1995
(in thousands)

Historical		Pro Forma Adjustments		
Federated	Broadway	Debit	Credit	Pro Forma

<S>	<C>	<C>	<C>	<C>	<C>
ASSETS:					
Current Assets:					
Cash	$ 238,173	$ 15,901	$	$ 8,000(b) 6,751(c)	$239,323
Accounts Receivable . .	2,157,512	559,939			2,717,451
Merchandise Inventories	2,694,564	390,825		12,313(b) 18,912(b)	3,054,164
Supplies and prepaid expenses	107,509	25,418		15,800(b)	117,127
Deferred income taxes .	198,123				198,123
Total Current Assets . .	5,395,881	992,083			6,326,188
Property and Equipment - net	5,261,698	885,002			6,146,700
Intangible Assets - net	1,027,033	------	134,937(b)		1,161,970
Notes Receivable	407,276	------			407,276
Other Assets	365,436	34,521	6,250(a)	20,757(b)	385,450
Total Assets	$12,457,324	$ 1,911,606	$141,187	$82,533	$14,427,584
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ 259,988	$ 58,426	$100,000(a)	$	$218,414
Accounts payable and accrued liabilities . .	2,139,335	220,324			2,359,659
Income taxes	35,729	824			36,553
Total Current Liabilities	2,435,052	279,574			2,614,626
Long-Term Debt	5,121,445	1,208,648	421,150(c) 143,750(a)	221,150(c) 250,000(a)	6,236,343
Deferred Income Taxes . .	873,285	14,850			888,135
Other Liabilities	503,223	103,121	4,300(b) 2,183(b)	7,718(b)	607,579
Shareholders' Equity . .	3,524,319	305,413	305,413(b)	363,333(b) 193,249(c)	4,080,901
Total Liabilities and Shareholders' Equity	$12,457,324	$ 1,911,606	$976,796	$1,035,450	$14,427,584

</TABLE>

See accompanying Notes to Unaudited Pro Forma Financial Information.

<TABLE><CAPTION>

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
For the 26 Weeks Ended July 29, 1995
(in thousands, except for per share data)

Historical   Pro Forma Adjustments

	Federated	Broadway	Debit	Credit	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
Net sales, including leased department sales	$ 6,035,255	$ 884,550	$	$	$ 6,919,805
Cost of sales	3,686,836	676,550	---- (a)	103,075 (d)	4,276,111
			15,800 (b)		
Selling, general and administrative expenses ..	2,137,846	226,247	3,374 (c)		2,470,542
			103,075 (d)		
Business integration and consolidation expenses ...	172,345	----			172,345
Charitable contribution to Federated Department Stores Foundation	25,581	----			25,581
Operating income (loss) ...	12,647	(18,247)			(24,774)
Interest expense	(223,558)	(62,499)	8,198 (e)	28,486 (f)	(264,524)
			1,245 (g)		
Interest income	22,790	----			22,790
Loss before income taxes ..	(188,121)	(80,746)			(266,508)
Federal, state and local income tax benefit	64,196	----		30,755 (h)	94,951
Net loss	$ (123,925)	$ (80,746)			$ (171,557)

<CAPTION>

OTHER INCOME STATEMENT DATA

<S>	<C>	<C>			<C>
EBITDA (i)	$ 441,354	$ 425			$ 425,979
Loss per share of common stock	(0.68)	(1.72)			(0.85)
Deficiency of earnings to fixed charges	188,807	81,260			267,708

</TABLE>

See accompanying Notes to Unaudited Pro Forma Financial Information.

<TABLE><CAPTION>

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
For the 52 Weeks Ended January 28, 1995
(in thousands, except for per share data)

		Pro Forma Adjustments for Macy's Acquisition			
	Historical Federated	Debit	Credit	Pro Forma	Historical Broadway
<S>	<C>	<C>	<C>	<C>	<C>
Net sales, including leased department sales	$8,315,877	$	$5,631,177 (A)	$13,947,054	$2,086,804
Cost of sales	5,131,363	3,405,824 (A)		8,537,187	1,560,035

Selling, general and administrative expenses	2,549,122	2,110,615 (A) 22,975 (B)	22,682 (D) 84,679 (E)	4,575,351	463,075
Unusual items	85,867	195,719 (A)		281,586	---
Operating income	549,525			552,930	63,694
Interest expense	(262,115)	146,104 (A) 56,998 (C)		(465,217)	(100,904)
Interest income	43,874		255 (A)	44,129	---
Income (loss) before earthquake loss, reorganization items and income taxes	331,284			131,842	(37,210)
Earthquake loss	--	15,000 (A)		(15,000)	---
Reorganization items	--		50,914 (A)	50,914	---
Income (loss) before income taxes	331,284			167,756	(37,210)
Federal, state and local income tax expense	(143,668)	26,654 (A)	31,003 (F)	(86,011)	(150)
Income (loss) from continuing operations	$ 187,616			$ 81,745	$ (37,360)

<CAPTION>

OTHER INCOME STATEMENT DATA

<S>	<C>			<C>	<C>
EBITDA (i)	$ 921,253			$ 1,303,359	$ 95,770
Income (loss) from continuing operations per share of common stock	$ 1.41			$ 0.45	$ (0.80)
Ratio of earnings to fixed charges	1.99x			1.28x	---
Deficiency of earnings to fixed charges	--			---	40,022

<CAPTION>

	Pro Forma Adjustments for the Merger, the Debt Purchase and the Offering		
	Debit	Credit	Pro Forma
<S>	<C>	<C>	<C>
Net sales, including leased department sales	$	$	$16,033,858
Cost of Sales	295 (a) -- (b)	201,242 (d)	9,896,275
Selling, general and administrative expenses	201,242 (d)	6,747 (c)	5,246,415
Unusual Items			281,586
Operating income			609,582
Interest expense	15,626 (e) --	54,253 (f) 1,198 (g)	(526,296)
Interest income			44,129
Income (loss) before earthquake loss, reorganization items and income taxes			127,415
Earthquake loss			(15,000)
Reorganization items			50,914
Income (loss) before income taxes			163,329
Federal, state and local income tax expense	1,101 (h)		(87,262)
Income (loss) from continuing operations			$ 76,067

<CAPTION>

OTHER INCOME STATEMENT DATA

<S>	<C>	<C>
EBITDA (i)		$ 1,398,834
Income (loss) from continuing operations per share of common stock		$ 0.38
Ratio of earnings to fixed charges		1.24x
Deficiency of earnings to fixed charges		--

</TABLE>

See accompanying Notes to Unaudited Pro Forma Financial Information.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

Note 1. Unaudited Pro Forma Balance Sheet Adjustments

(a) To record the receipt of net proceeds of the Offering in the amount of $243.8 million and the application of $143.8 million of such proceeds to repurchase the entire outstanding principal amount of the Broadway Convertible Notes.

(b) To record: (i) the Merger, which will be accounted for under the purchase method of accounting, and the assumed issuance of 12,692,852 shares of Common Stock at an assumed per share price of $28.625 (which was the closing price of such shares on the NYSE on September 20, 1995; (ii) adjustments to reflect the net assets acquired at fair value; and (iii) the excess of cost over net assets acquired, all as set forth below:

<TABLE><CAPTION>

<S>	Debit ----- (in thousands) <C>	Credit ------ <C>	Description ----------- <C>
Cash	$	$ 8,000	Payment of transaction costs
Merchandise inventories .		12,313	Elimination of Broadway's last-in, first-out ("LIFO") adjustment
		18,912	Elimination of indirect costs capitalized in Broadway's inventory
Supplies and prepaid expenses		15,800	Elimination of deferred expenses of Broadway
Intangible assets - net .	134,937		To record excess of cost over net assets
Other assets		20,757	Elimination of deferred financing costs of Broadway
Other liabilities		7,718	Adjustment to fair value of Broadway's pension liability
	4,300		Adjustment to fair value of Broadway's other postretirement benefits liabilities
	2,183		Elimination of Broadway's rent abatement reserve
Shareholders' equity . .	305,413		Elimination of Broadway's shareholders' equity
		363,333	Issuance of equity pursuant to the Merger
	---------	--------	
	$446,833	$446,833	
	========	========	

</TABLE>

(c) To record the purchase by FNC II of the Broadway/Prudential Mortgage Debt for consideration assumed to consist of a $221,149,531 promissory note of FNC II, 6,751,055 shares of Common Stock, and $6,751,051 in cash. If FNC II elects to pay a portion of the purchase price under the Prudential Agreement in the form of Common Stock, such purchase price will be determined with reference to actual market prices for shares of Common Stock (which market prices may be higher or lower than the $28.625 per share price assumed for purposes of the pro forma information).

Note 2. Unaudited Pro Forma Statements of Operations for the 26 Weeks Ended July 29, 1995 and the 52 Weeks Ended January 28, 1995--Adjustments for the Merger, the Debt Purchase, and the Offering.

(a) To adjust Broadway's cost of sales to eliminate the effects of the capitalization of inventory costs which will be expensed subsequent to the Merger.

(b) To adjust Broadway's cost of sales to eliminate the effects of deferred expenses written off in connection with the Merger.

(c) To record amortization of estimated excess of cost over net assets acquired over an assumed 20-year period.

(d) To reclassify buying and occupancy costs as selling, general, and administrative expenses consistent with Federated's accounting policies.

(e) To record interest expense on the promissory note issued by FNC II in connection with the purchase of the Broadway/Prudential Mortgage Debt at assumed rates per annum of 7.41% for the 26 weeks ended July 29, 1995 and 7.07% for the 52 weeks ended January 28, 1995.

(f) To reverse historical interest expense on the Broadway/Prudential Mortgage Debt purchased by FNC II and to reverse amortization of deferred financing costs.

(g) To record interest expense on the Notes at the assumed interest rate per annum of 5.25% (which assumed rate may vary from the actual rate of interest thereon) and to reverse historical expense interest of 6.25% per annum on the Broadway Convertible Notes and reduce interest expense on revolving credit borrowings.

(h) To adjust income tax expense (benefit) based upon an assumed composite (federal, state, and local) income tax rate of 41%.

(i) EBITDA is defined for purposes of the pro forma information as earnings before interest, taxes, depreciation, amortization, and unusual items. EBITDA does not represent and should not be considered as an alternative to net income or cash flow as determined by generally accepted accounting principles.

Note 3. Unaudited Pro Forma Statement of Operations for the 52 Weeks Ended January 28, 1995-- Adjustments for the Macy's Acquisition

(A) To record historical results of Macy's prior to December 19, 1994.

(B) To record amortization of excess of cost over net assets acquired over a 20-year period and the fair value of Macy's trade names over a 40-year period.

(C) To record interest expense on the indebtedness incurred in connection with the acquisition of Macy's and to reverse historical interest expense on certain indebtedness of Macy's and Federated.

(D) To reverse amortization of deferred expense items eliminated in connection with the acquisition of Macy's.

(E) To adjust depreciation of Macy's property and equipment to amounts based on fair market value.

(F) To adjust income tax expense (benefit) based upon an assumed composite (federal, state, and local) income tax rate of 40%.

(G) Although no adjustments have been recorded in the Unaudited Pro Forma Statements of Operations, it is estimated that Federated will have incurred expenses in connection with the consolidation of Federated's and Macy's operations of approximately $270.0 million in the 52 weeks subsequent to the acquisition of Macy's (of which approximately $190.0 million had been expensed through July 29, 1995).

DESCRIPTION OF CAPITAL STOCK

Authorized Capital Stock

Federated's certificate of incorporation provides that the authorized capital stock of Federated consists of 500 million shares of Common Stock and 125 million shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

Common Stock

The holders of the Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Subject to preferential rights that may be applicable to any Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors of Federated out of funds legally available therefor. In the event of a liquidation, dissolution, or winding up of Federated, holders of Common Stock will be entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any Preferred Stock. Holders of Common Stock have no preemptive rights and have no rights to convert their Common Stock into any other securities, and there are no redemption provisions with respect to such shares.

Preferred Stock

The Board of Directors of Federated has the authority to issue 125 million shares of Preferred Stock in one or more series and to fix the designations, relative powers, preferences, limitations, and restrictions of all shares of each such series, including without limitation dividend rates, conversion rights, voting rights, redemption and sinking fund provisions, liquidation preferences, and the number of shares constituting each such series, without any further vote or action by the stockholders. The issuance of the Preferred Stock could decrease the amount of earnings and assets available for distribution to holders of Common Stock or adversely affect the rights and powers, including voting rights, of the holders of Stock. The issuance of the Preferred Stock could have the effect of delaying, deferring, or preventing a change in control of Federated without further action by the stockholders.

Preferred Share Purchase Rights

Each outstanding share of Common Stock is accompanied by one right (a "Right") issued pursuant to a share purchase rights agreement between Federated and The Bank of New York, as Rights Agent (the "Share Purchase Rights Agreement"). Each Right entitles the registered holder thereof to purchase from Federated one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Series A Preferred Shares"), of Federated at a price (the "Purchase Price") of $62.50 per one one-hundredth of a Series A Preferred Share, subject to adjustment.

Until the earliest to occur of the following dates (the earliest of such dates being hereinafter called the "Rights Distribution Date"), the Rights will be evidenced by the certificates evidencing shares of Common Stock: (i) the close of business on the tenth business day (or such later date as may be specified by the Board of Directors of Federated) following the first date of public announcement by Federated that a person (other than Federated or a subsidiary or employee benefit or stock ownership plan of Federated), together with its affiliates and associates, has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding Common Stock (any such person being hereinafter called an "Acquiring Person"); (ii) the close of business on the tenth business day (or such later date as may be specified by the Board of Directors of Federated) following the commencement of a tender offer or exchange offer by a person (other than Federated or a subsidiary or employee benefit or stock ownership plan of Federated), the consummation of which would result in beneficial ownership by such person of 20% or more of the outstanding Common Stock; and (iii) the close of business on the tenth business day following the first date of public announcement by Federated that a Flip-in Event or a Flip-over Event (as such terms are hereinafter defined) has occurred.

The Share Purchase Rights Agreement provides that, until the Rights Distribution Date, the Rights may be transferred with and only with the Common Stock. Until the Rights Distribution Date (or earlier redemption or expiration of the Rights), any certificate evidencing shares of Common Stock issued upon transfer or new issuance of Common Stock will contain a notation incorporating the Share Purchase Rights Agreement by reference. Until the Rights Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates evidencing Common Stock will also constitute the transfer of the Rights associated with such certificates. As soon as practicable following the Rights Distribution Date, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of Common Stock as of the close of business on the Rights

Distribution Date and such separate Rights Certificates alone will evidence the

Rights. No Right is exercisable at any time prior to the Rights Distribution Date. The Rights will expire on December 19, 2004 (the "Final Expiration Date") unless earlier redeemed or exchanged by Federated as described below. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of Federated, including without limitation the right to vote or to receive dividends.

The Purchase Price payable, and the number of Series A Preferred Shares or other securities issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination, or reclassification of, the Series A Preferred Shares, (ii) upon the grant to holders of the Series A Preferred Shares of certain rights or warrants to subscribe for or purchase Series A Preferred Shares at a price, or securities convertible into Series A Preferred Shares with a conversion price, less than the then-current market price of the Series A Preferred Shares, or (iii) upon the distribution to holders of the Series A Preferred Shares of evidences of indebtedness or cash (excluding regular periodic cash dividends), assets, or stock (excluding dividends payable in Series A Preferred Shares) or of subscription rights or warrants (other than those referred to above). The number of outstanding Rights and the number of one one-hundredths of a Series A Preferred Share issuable upon exercise of each Right also is subject to adjustment in the event of a stock dividend on the Common Stock payable in shares of Common Stock or a subdivision, combination, or reclassification of the Common Stock occurring, in any such case, prior to the Rights Distribution Date.

The Series A Preferred Shares issuable upon exercise of the Rights will not be redeemable. Each Series A Preferred Share will be entitled to a minimum preferential quarterly dividend payment equal to the greater of (i) $1.00 per share and (ii) an amount equal to 100 times the aggregate dividends declared per share of Common Stock during the related quarter. In the event of liquidation, the holders of the Series A Preferred Shares will be entitled to a preferential liquidation payment equal to the greater of (a) $100 per share and (b) an amount equal to 100 times the liquidation payment made per share of Common Stock. Each Series A Preferred Share will have 100 votes, voting together with the Common Stock. In the event of any merger, consolidation, or other transaction in which shares of Common Stock are exchanged, each Series A Preferred Share will be entitled to receive 100 times the amount received per share of Common Stock. These rights will be protected by customary antidilution provisions. Because of the nature of the Series A Preferred Shares' dividend, voting and liquidation rights, the value of the one one-hundredth interest in a Series A Preferred

Share purchasable upon exercise of each Right should approximate the value of one share of Common Stock.

Rights may be exercised to purchase Series A Preferred Shares only after the Rights Distribution Date occurs and prior to the occurrence of a Flip-in Event or Flip-over Event. A Rights Distribution Date resulting from the commencement of a tender offer or exchange offer described in clause (ii) of the definition of "Rights Distribution Date" could precede the occurrence of a Flip-in Event or Flip-over Event and thus result in the Rights being exercisable to purchase Series A Preferred Shares. A Rights Distribution Date resulting from any occurrence described in clause (i) or clause (iii) of the definition of "Rights Distribution Date" would necessarily follow the occurrence of a Flip-in Event or Flip-over Event and thus result in the Rights being exercisable to purchase shares of Common Stock or other securities as described below.

In the event (a "Flip-in Event") that (i) any person, together with its affiliates and associates, becomes the beneficial owner of 20% or more of the outstanding Common Stock, (ii) any Acquiring Person merges into or combines with Federated and Federated is the surviving corporation or any Acquiring Person effects certain other transactions with Federated, as described in the Share Purchase Rights Agreement, or (iii) during such time as there is an Acquiring Person, there is any reclassification of securities or recapitalization or reorganization of Federated which has the effect of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities of Federated or any of its subsidiaries beneficially owned by the Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights that are or were owned beneficially by the Acquiring Person (which, from and after the later of the Rights Distribution Date and the date of the earliest of any such events, will be void), will thereafter have the right to receive upon exercise thereof at the then-current exercise price of the Right, that number of shares of Common Stock (or, under certain circumstances, an economically equivalent security or securities of Federated) that have a market value of two times the exercise price of the Right.

In the event (a "Flip-over Event") that, following the first date of public announcement by Federated that a person has become an Acquiring Person, (i) Federated merges with or into any person and Federated is not the surviving corporation, (ii) any person merges with or into Federated and Federated is the surviving corporation, but all or part of the Common Stock is changed or exchanged, or (iii) 50% or more of Federated's assets or earning power, including without limitation securities creating obligations of Federated, are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof

at the then-current exercise price of the Right, that number of shares of common stock (or, under certain circumstances, an economically equivalent security or securities) of such other person which at the time of such transaction would have a market value of two times the exercise price of the Right.

Following the occurrence of any Flip-in Event or Flip-over Event, Rights (other than any Rights which have become void) may be exercised as described above, upon payment of the exercise price or, at the option of the holder thereof, without the payment of the exercise price that would otherwise be payable. If a holder of Rights elects to exercise Rights without the payment of the exercise price that would otherwise be payable, such holder will be entitled to receive upon the exercise of such Rights securities having a market value equal to the exercise price of the Rights. In addition, at any time after the later of the Rights Distribution Date and the first occurrence of a Flip-in Event or a Flip-over Event and prior to the acquisition by any person or group of affiliated or associated persons of 50% or more of the outstanding Common Stock, Federated may exchange the Rights (other than any Rights which have become void), in whole or in part, at an exchange ratio of one share of Common Stock per Right (subject to adjustment).

With certain exceptions, no adjustments in the Purchase Price will be required until cumulative adjustments require an adjustment in the Purchase Price of at least 1%. Federated is not required to issue fractional Series A Preferred Shares (other than fractions that are integral multiples of one one-hundredth of a Series A Preferred Share, which may, at the option of Federated, be evidenced by depositary receipts) or fractional shares of Common Stock or other securities issuable upon the exercise of Rights. In lieu of issuing such securities, Federated may make a cash payment, as provided in the Share Purchase Rights Agreement.

Federated may redeem the Rights in whole, but not in part, at a price of $0.03 per Right, subject to adjustment and, in the event that the payment of such amount would be prohibited by loan agreements or indentures to which Federated is a party, deferral (the "Redemption Price"), at any time prior to the close of business on the later of (i) the Rights Distribution Date and (ii) the first date of public announcement that a person has become an Acquiring Person. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the holders will have only the right to receive the Redemption Price.

The Share Purchase Rights Agreement may be amended by Federated without the approval of any holders of Rights, including amendments which add other events requiring adjustment to the Purchase Price payable and the number of

Series A Preferred Shares or other securities issuable upon the exercise of the Rights which modify procedures relating to the redemption of the Rights, provided that no amendment may be made which decreases the stated Redemption Price to an amount less than $0.01 per Right, decreases the period of time remaining until the Final Expiration Date, or modifies a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable.

Certain Corporate Governance Matters

Federated's certificate of incorporation and by-laws provide that the directors of Federated are to be classified into three classes, with the directors in each class serving for three-year terms and until their successors are elected. Any additional person elected to the Board of Directors of Federated will be added to a particular class of directors to be determined at the time of such election, although in accordance with Federated's certificate of incorporation and by-laws, the number of directors in each class will be identical or as nearly as practicable thereto based on the total number of directors then serving as such.

Federated's by-laws provide that nominations for election of directors by the stockholders will be made by the Board of Directors of Federated or by any stockholder entitled to vote in the election of directors generally. Federated's by-laws require that stockholders intending to nominate candidates for election as directors deliver written notice thereof to the Secretary of Federated not later than 60 calendar days in advance of the meeting of stockholders; provided, however, that in the event that the date of the meeting is not publicly announced by Federated by inclusion in a report filed with the Commission or furnished to stockholders, or by mail, press release, or otherwise more than 75 calendar days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of Federated not later than the close of business on the tenth day following the date on which such announcement of the date of the meeting was so communicated. Federated's by-laws further require that the notice by the stockholder set forth certain information concerning such stockholder and the stockholder's nominees, including their names and addresses, a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, a description of all arrangements or understandings between the stockholders and each nominee, such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such stockholder, and the consent of each nominee to serve as a director of Federated if so elected. The chairman of the meeting may refuse to acknowledge

the nomination of any person not made in compliance with these requirements.

In addition to the provisions relating to the classification of the Board of Directors and the director nomination procedures described above, Federated's certificate of incorporation and by-laws provide, in general, that (i) the number of directors of Federated will be fixed, within a specified range, by a majority of the total number of Federated's directors (assuming no vacancies) or by the holders of at least 80% of Federated's voting stock, (ii) the directors of Federated in office from time to time will fill any vacancy or newly created directorship on the Board of Directors of Federated with any new director to serve in the class of directors to which he or she is so elected, (iii) directors of Federated may be removed only for cause by the holders of at least 80% of Federated's voting stock, (iv) stockholder action can be taken only at an annual or special meeting of stockholders and not by written consent in lieu of a meeting, (v) except as described below, special meetings of stockholders may be called only by Federated's Chief Executive Officer or by a majority of the total number of directors of Federated (assuming no vacancies) and the business permitted to be conducted at any such meeting is limited to that brought before the meeting by Federated's Chief Executive Officer or by a majority of the total number of directors of Federated (assuming no vacancies), and (vi) subject to certain exceptions, the Board of Directors of Federated may postpone and reschedule any previously scheduled annual or special meeting of stockholders. Federated's by-laws also require that stockholders desiring to bring any business before an annual meeting of stockholders deliver written notice thereof to the Secretary of Federated not later than 60 calendar days in advance of the meeting of stockholders; provided, however, that in the event that the date of the meeting is not publicly announced by Federated by press release or inclusion in a report filed with the SEC or furnished to stockholders more than 75 calendar days prior to the meeting, notice by the stockholders to be timely must be delivered to the Secretary of Federated not later than the close of business on the tenth calendar day following the day on which such announcement of the date of the meeting was so communicated. Federated's by-laws further require that the notice by the stockholder set forth a description of the business to be brought before the meeting and the reasons for conducting such business at the meeting and certain information concerning the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made including their names and addresses, the class and number of shares of Federated, that are owned beneficially and of record by each of them, and any material interest of either of them in the business proposed to be brought before the meeting. Upon the written request of the holders of not less than 15% of Federated's voting stock, the

Board of Directors of Federated will be required to call a meeting of stockholders for the purpose specified in such written request and fix a record date for the determination of stockholders entitled to notice of and to vote at such meeting (which record date may not be later than 60 calendar days after the date of receipt of notice of such meeting), provided that in the event that the Board or Directors of Federated calls an annual or special meeting of stockholders to be held not later than 90 calendar days after receipt of any such written request, no separate special meeting of stockholders as so requested will be required to be convened provided that the purposes of such annual or special meeting called by the Board of Directors of Federated include (among others) the purposes specified in such written request of the stockholders.

Under applicable provisions of Delaware law, the approval of a Delaware company's board of directors, in addition to stockholder approval, is required to adopt any amendment to the company's certificate of incorporation, but a company's by-laws may be amended either by action of its stockholders or, if the company's certificate of incorporation so provides, its board of directors. Federated's certificate of incorporation and by-laws provide that (i) except as described below, the provisions summarized above and the provisions relating to the classification of the Board and nominating procedures may not be amended by the stockholders, nor may any provision inconsistent therewith be adopted by the stockholders, without the affirmative vote of the holders of at least 80% of Federated's voting stock, voting together as single class, except that if any such action (other than any direct or indirect amendments to the provision requiring that stockholder action be taken at a meeting of stockholders rather than by written consent in lieu of a meeting) is approved by the holders of a majority, but less than 80%, of the then-outstanding voting stock (in addition to any other approvals require by law, including approval by the Board of Directors of Federated with respect to any amendment to Federated's certificate of incorporation), such action will be effective as of one year from the date of adoption, or (ii) Federated's by-law provisions relating to the right of stockholders to cause special meetings of stockholders to be called and to the composition of certain directorate committees may not be amended by the Board without stockholder approval.

Federated is subject to Section 203 of the DGCL, which restricts the consummation of certain business combination transactions in certain circumstances. In addition, Federated's certificate of incorporation contains provisions that are substantially similar to those contained in Section 203 of the DGCL that restrict business combination transactions with (i) any person or group that became or is deemed to have become the beneficial owner of 15% or more of the voting stock of Federated as a result of its receipt of Common Stock or

warrants pursuant to the plan of reorganization that thereafter becomes the beneficial owner of an additional 1% or more of the voting stock of Federated and (ii) any other person or group that becomes the beneficial owner of 15% more of the voting stock of Federated.

The foregoing provisions of Federated's certificate of incorporation, the provisions of its by-laws relating to advance notice of stockholder nominations, and the provisions of the Share Purchase Rights Agreement (see "--Preferred Share Purchase Rights") may discourage or make more difficult the acquisition of control of Federated by means of a tender offer, open market purchase, proxy contest, or otherwise. These provisions are intended to discourage or may have the effect of discouraging certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Federated first to negotiate with Federated. Federated's management believes that the foregoing measures, many of which are substantially similar to the takeover-related measures in effect for many other publicly held companies, provide benefits by enhancing Federated's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to take over or restructure Federated that outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Item 7. Financial Statements, Pro Forma Financial
Information and Exhibits.

The following exhibits are filed herewith:

12 Statement of Computation of Ratios

23.1 Consent of Price Waterhouse LLP

23.2 Consent of Deloitte & Touche LLP

99.1 (i) Consolidated financial statements of Broadway as of January 28, 1995 and January 29, 1994 and for each of the two fiscal years ended January 28, 1995, the 17 weeks ended January 30, 1993 and the 35 weeks ended October 3, 1992 and (ii) unaudited consolidated financial statements of Broadway as of July 29, 1995 and for the 26 weeks ended July 29, 1995

99.2 (i) Consolidated financial statements of Macy's as of July 30, 1994 and July 31, 1993 and for each of the fiscal years ended July 30, 1994, July 31, 1993, and August 1, 1992 and (ii) unaudited consolidated financial statements of Macy's as of October 29, 1994 and for the 13 weeks ended October 29, 1994

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Date: September 21, 1995 By: /s/ Dennis J. Broderick

Dennis J. Broderick
Senior Vice President,
General Counsel and
Secretary

EXHIBIT INDEX

Exhibit Number	Description	Page
12	Statement of Computation of Ratio	
23.1	Consent of Price Waterhouse LLP	
23.2	Consent of Deloitte & Touche LLP	
99.1	(i) Consolidated financial statements of Broadway as of January 28, 1995 and January 29, 1994 and for each of the two fiscal years ended January 28, 1995, the 17 weeks ended January 30, 1993, and the 35 weeks ended October 3, 1992 and (ii) unaudited consolidated financial statements of Broadway as of July 29, 1995 and for the 26 weeks ended July 29, 1995	
99.2	(i) Consolidated financial statements of Macy's as of July 30, 1994 and July 31, 1993 and for each of the fiscal years ended July 30, 1994, July 31, 1993, and August 1, 1992 and (ii) unaudited consolidated financial statements of Macy's as of October 29, 1994 and for the 13 weeks ended October 29, 1994	

<TABLE><CAPTION>

FEDERATED DEPARTMENT STORES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(a)
(in thousands, except ratio data)

	For the 26 Weeks Ended July 29, 1995			For the 52 Weeks Ended January 28, 1995			
	Historical			Historical	Proforma	Historical	
	Federated	Broadway	Pro Forma	Federated	Federated	Broadway	Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income (loss) before income taxes	$ (188,121)	$ (80,746)	$(266,508)	$ 331,284	$ 167,756	$ (37,210)	$ 163,329
Add: Portion of rents representative of the interest factor	64,169	8,950	73,595	71,109	128,338	18,850	147,188
Interest expense	223,558	62,499	264,524	262,115	465,217	100,904	526,296
Adjusted income (loss)	$ 99,606	$ (9,297)	$ 71,611	$ 664,508	$ 761,311	$ 82,544	$ 836,813
Fixed charges:							
Interest expense	$ 223,558	$ 62,449	$ 264,524	$ 262,115	$ 465,217	$ 100,904	$ 526,296
Capitalized interest	686	514	1,200	447	447	2,812	3,259
Portion of rents representative of the interest factor	64,169	8,950	73,595	71,109	128,338	18,850	147,188
Total fixed charges	$ 288,413	$ 71,963	$ 339,319	$ 333,671	$ 594,002	$ 122,566	$ 676,743
Ratio of earnings to fixed charges	-	-	-	1.99 x	1.28 x	-	1.24 x
Deficiency of earnings to fixed charges	$ 188,807	$ 81,260	$ 267,708	-	-	$ 40,022	-

----

(a) For the purposes of determining the ratio or deficiency of earnings to fixed charges, earnings consist of income before taxes plus fixed charges (excluding interest capitalized). Fixed charges represent interest incurred, amortization of debt expense, and that portion of rental expense on operating leases deemed to be equivalent of interest.

</TABLE>

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus Supplement to the Prospectus constituting part of Amendment No. 1 the Registration Statement on Form S-3 (No.33-59691) of Federated Department Stores, Inc. of our reports dated March 13, 1995 and March 12, 1993 relating to the consolidated financial statements of Broadway Stores, Inc. and its subsidiaries as of January 28, 1995 and January 29, 1994 and the fiscal years ended January 28, 1995 and January 29, 1994, the seventeen weeks ended January 30, 1993, and the thirty-five weeks ended October 3, 1992, which appear in the Current Report on Form 8-K of Federated Department Stores, Inc. dated September 21, 1995. We also consent to the reference to us under the heading "Experts" in such Prospectus Supplement.

Price Waterhouse LLP
Los Angeles, California
September 21, 1995

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-59691 of Federated Department Stores, Inc. on Form S-3 of our report dated September 19, 1994 (September 28, 29 and 30, 1994 as to Notes 18, 2 and 20 respectively) on the consolidated financial statements of R.H. Macy & Co., Inc. for the three years in the period ended July 30, 1994, which expresses an unqualified opinion and includes explanatory paragraphs relating to the Company's reorganization proceedings, its ability to continue as a going concern and its method of accounting for income taxes and postretirement benefits other than pension, appearing in the Annual Report on Form 10-K of R.H. Macy & Co., Inc. for the year ended July 30, 1994, which consolidated financial statements are attached as an Exhibit to the Current Report on Form 8-K of Federated Department Stores, Inc. dated September 21, 1995, and to the reference to us under the heading "Experts" in the Post-Effective Prospectus Supplement to be filed pursuant to Rule 424(b), which is part of such Registration Statement.

/s/ Deloitte & Touche LLP

New York, New York
September 20, 1995

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Broadway Stores, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Broadway Stores, Inc. (formerly known as Carter Hawley Hale Stores, Inc.) and its subsidiaries at January 28, 1995 and January 29, 1994, and the results of their operations and their cash flows for the fiscal years ended January 28, 1995 and January 29, 1994 and the seventeen weeks ended January 30, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits of the consolidated financial statements referred to above also included an audit of the accompanying Financial Statement Schedule VIII for the fiscal years ended January 29, 1995 and January 28, 1994 and the seventeen weeks ended January 30, 1993. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

As discussed in the Reorganization and Basis of Reporting section of the Summary of Significant Accounting Policies, on September 14, 1992, the United States Bankruptcy Court confirmed the Company's plan of reorganization. The plan of reorganization, which was effective October 8, 1992, resulted in the discharge of all claims against the Company which arose prior to February 11, 1991 and substantially altered the rights and interests of the existing equity security holders. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

Price Waterhouse LLP
Los Angeles, California
March 13, 1995

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Broadway Stores, Inc.

In our opinion, the accompanying consolidated statements of earnings, of cash flows and of shareholders' equity present fairly, in all material respects, the results of operations and cash flows of Broadway Stores, Inc. (formerly known as Carter Hawley Hale Stores, Inc.) and its subsidiaries for the thirty-five weeks ended October 3, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

Our audit of the consolidated financial statements referred to above also included an audit of the accompanying Financial Statement Schedule VIII for the thirty-five weeks ended October 3, 1992. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

As discussed in the Reorganization and Basis of Reporting section of the Summary of Significant Accounting Policies, on February 11, 1991, the Company filed a petition with the United States Bankruptcy Court for reorganization under Chapter 11 of the Bankruptcy code. The plan of reorganization was effective October 8, 1992, at which time the Company emerged from bankruptcy. The Company utilized fresh start reporting as of October 3, 1992 to account for the effects of the reorganization.

As discussed in the Change in Accounting Policy section of the Summary of Significant Accounting Policies, the Company changed its method of accounting for income taxes in the thirty-five week period ended October 3, 1992.

Price Waterhouse LLP
Los Angeles, California
March 12, 1993

BROADWAY STORES, INC.

Consolidated Statement of Earnings

<TABLE>
<CAPTION>

	Year Ended		Period Ended	
	January 28, 1995	January 29, 1994	January 30, 1993	October 3, 1992
(In thousands, except per share amounts)	(52 weeks)	(52 weeks)	(17 weeks)	(35 weeks)
<S>	<C>	<C>	<C>	<C>
Sales	$2,086,804	$2,092,681	$889,843	$1,248,004
Finance charge revenue	91,330	81,438	27,265	55,377
Cost of goods sold, including occupancy and buying costs	1,560,035	1,589,077	641,361	946,618
Selling, general and administrative expenses	554,405	551,098	206,804	354,806
Charge for non-recurring costs		45,000		
Earnings (loss) from operations before interest expense, reorganization income and income taxes	63,694	(11,056)	68,943	1,957
Interest expense, net	100,904	84,864	29,623	60,185
Earnings (loss) from operations before reorganization income (costs) and income taxes	(37,210)	(95,920)	39,320	(58,228)
Reorganization income				884,131
Earnings (loss) from operations before income taxes	(37,210)	(95,920)	39,320	825,903

Income tax benefit (expense)	(150)		(16,600)	6,800
Earnings (loss) before extraordinary item and cumulative effect of change in accounting	(37,360)	(95,920)	22,720	832,703
Extraordinary gain on debt discharge				304,388
Cumulative effect of change in accounting for income taxes				18,832
Net earnings (loss)	$ (37,360)	$ (95,920)	$ 22,720	$1,155,923
Earnings (loss) per common share	$ (.80)	$ (2.30)	$ .65	

</TABLE>

See accompanying Summary of Significant Accounting Policies and Financial Review.

BROADWAY STORES, INC.

Consolidated Balance Sheet

<TABLE>
<CAPTION>

(In thousands)	January 28, 1995	January 29, 1994
<S>	<C>	<C>
Assets		
Current assets		
Cash	$ 18,318	$ 18,192
Accounts receivable, net	664,825	627,374
Merchandise inventories	504,522	427,631
Other current assets	11,613	9,799
	1,199,278	1,082,996
Property and equipment, net	888,258	810,608
Other assets	39,540	40,543
	$2,127,076	$1,934,147
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable and current installments	$ 18,490	$ 3,459
Accounts payable	175,622	151,687
Accrued expenses	141,027	186,837
Current income taxes	1,002	1,203
	336,141	343,186
Receivables based financing	573,138	332,182
Other secured long-term debt	522,517	517,287
Convertible senior subordinated notes	143,750	143,750
Capital lease obligations	41,524	44,667
Other liabilities	109,504	124,508
Deferred income taxes	14,850	14,850
Shareholders' equity		
Preferred stock, $.01 par value	8	9
Common stock, $.01 par value	469	468

Other paid-in capital	502,039	500,785
Total accumulated deficit	(116,864)	(87,545)
	----------	----------
	385,652	413,717
	----------	----------
	$2,127,076	$1,934,147
	==========	==========

</TABLE>

See accompanying Summary of Significant Accounting Policies and Financial Review.

BROADWAY STORES, INC.

Consolidated Statement of Cash Flows

<TABLE>
<CAPTION>

(In thousands)	Year Ended		Period Ended	
	January 28, 1995 (52 weeks)	January 29, 1994 (52 weeks)	January 30, 1993 (17 weeks)	October 3, 1992 (35 weeks)
<S>	<C>	<C>	<C>	<C>
Operating activities				
Earnings (loss) from operations	$ (37,360)	$ (95,920)	$ 22,720	$ 832,703
Adjustments to reconcile earnings (loss) from operations to net operating cash flows				
Fresh-start adjustment				(906,373)
Depreciation and amortization	42,951	33,987	10,617	27,923
Stock compensation			1,401	
Deferred income taxes		2,400	16,450	
Change in operating assets and liabilities				
Restricted cash			47,954	(47,954)
Customer receivables, net	(55,829)	2,158	(88,217)	105,040
Merchandise inventories	(76,891)	40,078	43,715	(79,476)
Accounts payable and accrued expenses	35,247	(7,590)	(64,157)	59,309
Other, net	(48,753)	(10,455)	(4,989)	14,359
	---------	---------	--------	---------
Net cash provided (used) by operating activities	(140,635)	(35,342)	(14,506)	5,531
	---------	---------	--------	---------
Investing activities				
Proceeds from sales of property and equipment		6,468		
Purchases of property and equipment	(109,726)	(59,957)	(21,190)	(17,052)
	---------	---------	--------	---------
Net cash used by investing activities	(109,726)	(53,489)	(21,190)	(17,052)
	---------	---------	--------	---------
Financing activities				
Net change in financing under receivables based facilities	240,956	(135,395)	79,271	(100,948)
Net change in financing under working capital facilities	11,740	(52,315)	(38,485)	53,800
Retirements of long-term debt and capital lease obligations	(3,463)	(16,855)	(2,739)	(1,929)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay				(10,652)
Issuance of convertible subordinated notes		143,750		
Issuances of common stock	1,254	149,221		50,000
	---------	---------	--------	---------
Net cash provided (used) by financing activities	250,487	88,406	38,047	(9,729)
	---------	---------	--------	---------
Net increase (decrease) in cash	126	(425)	2,351	(21,250)
Cash at the beginning of the period	18,192	18,617	16,266	37,516
	---------	---------	--------	---------

Cash at the end of the period	$ 18,318	$ 18,192	$ 18,617	$ 16,266
	=========	=========	========	=========

</TABLE>
See accompanying Summary of Significant Accounting Policies and Financial Review.

5

BROADWAY STORES, INC.

Consolidated Statement of Shareholders' Equity

<TABLE>
<CAPTION>

(In thousands)	Warrants Issued	Shares Issued Preferred	Shares Issued Common	Par Value Preferred	Par Value Common	Other Paid-in Capital	Accumulated SFAS 87 Adjustment	Total Accumulated Earnings (Deficit)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, February 1, 1992			30,349	$	$ 303	$ 643,194	$ (23,111)	$(1,128,862)
Net earnings								1,155,923
Net cancellations of common stock under the stock incentive plan			(868)		(9)			
Adjustment to additional minimum pension liability							23,111	(27,061)
Reorganization Plan transactions:								
Existing equity holders:								
Cancellation of existing common stock outstanding			(29,481)		(294)	(643,194)		
Issuance of new common stock together with warrants or preferred stock	1,333	1,143	2,386	11	24	23,965		
Issuance of new common stock to holders of liabilities subject to settlement			27,600		276	275,724		
Additional equity investment			5,000		50	49,950		
	-----	-----	-------	------	-------	---------	----------	-----------
Balance, October 3, 1992	1,333	1,143	34,986	11	350	349,639		
Net earnings								22,720
Issuances of new common stock			214		2	2,039		
Conversions of preferred stock	41	(41)						
	-----	-----	-------	------	-------	---------	----------	-----------
Balance, January 30, 1993	1,374	1,102	35,200	11	352	351,678		22,720
Net loss								(95,920)
Issuances of new common stock			11,450		114	147,432		
Conversion of preferred stock	160	(160)		(2)	2			
Exercise of stock options			164		2	1,673		
Adjustment to additional minimum pension liability							(14,345)	
	-----	-----	-------	------	-------	---------	----------	-----------
Balance, January 29, 1994	1,534	942	46,814	9	468	500,785	(14,345)	(73,200)
Net loss								(37,360)
Issuances of new common stock			44			411		
Conversion of preferred stock	96	(96)		(1)	1			
Exercise of stock options			83		1	842		

Adjustment to additional minimum pension liability							8,041	
Balance, January 28, 1995	1,630	846	46,941	$ 8	$ 469	$ 502,039	$ (6,304)	$ (110,560)

</TABLE>

See accompanying Summary of Significant Accounting Policies and Financial Review.

BROADWAY STORES, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reorganization

On February 11, 1991 (the "Petition Date"), the Company filed a petition (the "Filing") for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). The Company subsequently managed its affairs and operated its business under Chapter 11 as a debtor-in-possession while a plan of reorganization was formulated.

On July 28, 1992, the Company's plan of reorganization ("POR"), which was supported by the largest secured and unsecured creditors and the official committee of the equity security holders, was filed with the Bankruptcy Court. The POR was subsequently confirmed at the Bankruptcy Court hearing held on September 14, 1992 and became effective October 8, 1992 (the "Emergence Date").

The POR provided for the conversion of substantially all unsecured claims into 27.6 million shares of Common Stock, the conversion of all common stock outstanding immediately prior to the Emergence Date ("Old Common Stock") into 2.4 million shares of newly-issued common stock of the Company ("Common Stock") and a combined total of 2.5 million of convertible warrants or shares of preferred stock, and the conversion of accrued interest under certain secured debt agreements into secured long-term obligations in accordance with the related settlement agreements.

Pursuant to the POR, Zell/Chilmark Fund, L.P. ("Zell/Chilmark"), the Company's largest unsecured creditor, received 21.2 million shares of Common Stock in settlement of approximately $461.0 million of unsecured claims on the Emergence Date. In addition, pursuant to the terms of the Postpetition Store Modernization Facility Conversion Agreement (the "Conversion Agreement"), Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of Common Stock at a price of $10.00 per share. As of the Emergence Date, 32.4 million shares of Common Stock were issued pursuant to the POR and the Conversion Agreement, of which Zell/Chilmark owned 73.2 percent. As of January 28, 1995 Zell/Chilmark owned approximately 53.9% of the Company's outstanding Common Stock.

Basis of Reporting

The financial statements for the 35 week period ended October 3, 1992 (the "Effective Date") reflect the Company's emergence from Chapter 11 and were prepared utilizing the principles of fresh-start reporting contained in American Institute of Certified Public Accountants' Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (the "Reorganization Statement").

Operations during the period from October 3, 1992 through the Emergence Date had no significant impact on the emergence transactions and as a result have not been separately identified. The financial statements for periods subsequent to October 3, 1992 have been segregated from those for prior periods by a solid double line to reflect the significant change in reporting entity resulting from the application of fresh start reporting.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31.

Change in Accounting Policy

During 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Prior to the adoption of SFAS No. 109, the Company accounted for income taxes under Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). Both SFAS No. 109 and SFAS No. 96 require the use of the liability method of accounting for income taxes and require the adjustment of previously recorded deferred tax liabilities and assets for the effects of changes in tax laws or rates through the date of the latest financial statements presented. SFAS No. 109 changed the criteria for recognition and measurement of deferred tax assets and allowed the Company to recognize certain benefits resulting from net operating loss carryforwards for which no benefit could be recognized under SFAS 96. The cumulative effect of the change on prior years was a gain of $18.8 million, which has been reflected in net earnings for the first quarter of 1992.

Sales

Sales are net of returns, exclude sales tax, and comprise sales of merchandise, services, and leased departments. Leased department sales were $116.5 million in 1994, $210.7 million in 1993, $88.5 million for the seventeen week period ended January 30, 1993, and $139.3 million for the thirty-five week period ended October 3, 1992. In May 1994, the leased shoe department was converted from a third party operation into an owned department.

Customer Accounts Receivable

An account is generally written-off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment, or when it is otherwise determined that the account is uncollectible.

Inventories

Merchandise inventories are valued at the lower of cost or market, as determined by the retail method on the last-in, first-out ("LIFO") basis. For periods subsequent to the Effective Date, the Company utilized internally developed inflation indices in the computation of LIFO inventories. Prior to the Effective Date, the Company utilized the inflation indices published by the Bureau of Labor Statistics.

Property and Equipment

Property and equipment additions are recorded at cost and include major renewals and improvements which significantly add to productive capacity or extend the useful life of an asset. Maintenance and repairs are expensed.

Depreciation and Amortization

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment, or over the terms of the related leases, if shorter. Debt acquisition costs are amortized over the life of the related debt.

Advertising and Promotional Costs

Advertising and promotional costs are generally expensed as incurred except for certain costs which are deferred over the term of the promotion, generally three months or less. Advertising costs charged to expense were $72.5 million in fiscal 1994, $71.7 million in fiscal 1993, $31.6 million for the seventeen week period ended January 30, 1993 and $47.9 million for the thirty-five week period ended October 3, 1992.

Income Taxes

Income taxes are recorded in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires the recognition of a deferred tax liability for taxable temporary differences and a deferred tax asset for deductible temporary differences. A valuation allowance is established when, based on the weight of available evidence, it appears more likely than not that some portion or all of the deferred tax assets will not be realized.

Earnings Per Share of Common Stock

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the period, including dilutive stock options and all 35.0 million shares of Common Stock expected to be issued in accordance with the POR. As of January 28, 1995, 1.0 million shares remain to be issued in accordance with the POR. Per share data for periods prior to October 3, 1992 have been omitted as these amounts do not reflect the current capital structure.

FINANCIAL REVIEW

Non-recurring Costs

A significant number of the Company's Southern California stores suffered damage as a result of the major earthquake which affected that area on January 17, 1994. While most of the area stores were reopened within two weeks, four stores suffered extensive damage and were closed for repairs for periods of 4 to 10 months. The Company maintains earthquake and business interruption insurance with standard deductible provisions that require the Company to incur an initial level of costs at each location subject to damage or interruption of business. In January 1994, the company established a reserve of $65.4 million to cover costs of building and fixture repairs, inventory and business interruption losses, and other costs related to the earthquake. As of January 29, 1994, $17.1 million of the reserve had been utilized with the remainder being utilized during fiscal 1994. In addition, a $50.4 million receivable was established for estimated insurance recoveries resulting in a $15.0 million non-recurring charge being recognized in 1993 for earthquake related losses in excess of estimated insurance proceeds. During 1994, $35.4 million in insurance payments have been received and an additional receivable of $10.0 million was established at year-end for anticipated recoveries for additional capital expenditures. The reserve utilization and insurance proceeds received are reflected in the Consolidated Statements of Cash Flows and are included as other net changes in operating assets and liabilities. The $15.0 non-recurring charge recognized in January 1994, in management's opinion, continues to be adequate to cover earthquake losses in excess of estimated insurance proceeds.

During 1993, the Company recorded $30.0 million in non-recurring charges associated with one-time costs incurred in the implementation of the strategic plan to streamline the Company. The charge comprised severance and other benefit costs incurred from staff reductions, related consulting fees, and the costs of implementing other efficiencies under the plan.

Reorganization Income and Costs

In accordance with the Reorganization Statement, income and costs directly related to the reorganization have been segregated and are separately disclosed. The major components are as follows:

<TABLE>
<CAPTION>

(In millions)	Period Ended October 3, 1992 (35 Weeks)
Adjustments to fair value	$906.4
Provision for settlement of disputed claims	(8.5)
Professional fees and other expenditures directly related to the Filing	(13.8)
	$884.1

</TABLE>

The adjustments to fair value reflected the effects of the revaluation of assets and liabilities in accordance with the Reorganization Statement. These adjustments included the $283.4 million write-up of fixed assets, the net increase of $3.5 million in other balance sheet items and the elimination of the remaining $619.5 million accumulated deficit in shareholders' equity.

The provision for settlement of disputed claims represented management's estimate of the net amount required to cover all outstanding disputed claims included in liabilities subject to settlement based on facts and circumstances at that time.

Gain on Debt Discharge

The gain on debt discharge reflected the conversion of $600.0 million of liabilities subject to settlement into $276.0 million of shareholders' equity resulting in a $324.0 million gain. The gain is presented net of write-offs and costs associated with the repayment of borrowings on the Effective Date.

Interest Expense, Net

The components of interest expense are as follows:

<TABLE>
<CAPTION>

(In millions)	Year Ended January 28, 1995 (52 weeks)	Year Ended January 29, 1994 (52 weeks)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)
<S>	<C>	<C>	<C>	<C>
Interest on total debt	$ 86.2	$71.3	$24.9	$54.1
Imputed interest on capitalized lease obligations	4.2	4.4	1.6	3.4
Capitalized interest	(2.8)	(1.4)	(.5)	(.4)
Amortization of debt issuance costs	10.9	8.3	2.6	4.3
Commitment fees	1.6	1.5	.8	
Other	.8	.8	.2	(1.2)
Interest expense, net	$100.9	$84.9	$29.6	$60.2

</TABLE>

Interest payments, net of amounts capitalized, were $58.9 in 1994, $63.8 million in 1993, $34.0 million in the seventeen week period ended January 30, 1993, and $32.8 million in the thirty-five week period ended October 3, 1992.

As a result of the Filing, interest payments during bankruptcy were limited to amounts due under the Post-petition Credit Agreement, the Interim Receivables Facility (during its existence), the Post-petition Receivables Securitization Facility, and the interest element of capital lease payments made. During bankruptcy, interest continued to accrue on the Company's secured mortgage debt but no payments were made. Both the accrual of interest and amortization of debt issuance costs on the Company's subordinated debt ceased at the Filing. Unaccrued interest on the subordinated debt amounted to $29.2 million in the thirty-five weeks ended October 3, 1992. In accordance with the POR, the liability for such unaccrued interest was cancelled with no payment due.

Commitment fees totalling $1.8 million in the thirty-five week period ended October 3, 1992 were included in selling, general and administrative expenses. Such fees are reported as a component of interest expense for periods subsequent to the Effective Date.

Income Taxes

The $.2 million tax provision for the current year ended January 28, 1995 reflects state franchise taxes not measured by or based upon income. The tax effect of the current year loss was offset by an addition to the SFAS 109 valuation allowance and, accordingly, no income tax provision was recorded.

Similarly, no income tax provision was recognized for the year ended January 29, 1994.

Income taxes for 1992 were required to be separately computed for the pre- and post-reorganization periods. The $6.8 million tax benefit recognized for the thirty-five week period ended October 3, 1992 reflects the reversal of certain tax reserves on favorable resolution of income tax audits for tax years through July 1990.

<TABLE>
<CAPTION>

(In millions)	Year Ended January 28, 1995 (52 weeks)	Year Ended January 29, 1994 (52 weeks)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)
<S>	<C>	<C>	<C>	<C>
Current				
Federal	$	$	$	$ (6.8)
State	.2		.1	
	.2	--	.1	(6.8)
Deferred				
Federal		(2.6)	11.6	
State		2.6	4.9	
	--	--	16.5	--
Income tax expense (benefit)	$ .2	$ --	$ 16.6	$ (6.8)

</TABLE>

The limited ability to utilize net operating loss carryforwards in certain periods is reflected in the following analysis of the effective income tax rate reconciliation and in the composition of deferred income tax liability.

<TABLE>
<CAPTION>

(Percent of pre-tax earnings)	Year Ended January 28, 1995 (52 weeks)	Year Ended January 29, 1994 (52 weeks)	Period Ended January 30, 1993 (17 weeks)	Period Ended October 3, 1992 (35 weeks)
<S>	<C>	<C>	<C>	<C>
Federal income tax at statutory rate	(35.0)%	(35.0)%	34.0%	(34.0)%
State income taxes		2.7	8.4	
Losses for which no benefit is recognized	35.0	32.3		34.0
Adjustments to taxes previously recorded				(.8)
Other, net	.4		(.2)	
Effective income tax rate	.4%	--%	42.2%	(.8)%

</TABLE>

In the following table of components of the net deferred tax liability, adjustments to the valuation allowance offset the benefits related to losses from operations.

<TABLE>
<CAPTION>

(In millions)	January 28, 1995	January 29, 1994

<S> <C> <C>

Employee benefits	$ 54.2	$ 60.7
Unscheduled claims	3.8	4.9
Short-period loss	6.4	8.5
Accounts receivable	8.4	7.6
Restructuring reserves	1.0	5.0
Earthquake	17.9	3.4
Loss carryforwards	210.3	165.9
Credit carryforwards	11.5	7.9
Other	7.1	8.2
Gross deferred tax asset	320.6	272.1
Property and equipment	(218.9)	(194.7)
Inventories	(51.4)	(36.8)
Other	(9.2)	(9.6)
Gross deferred tax liability	(279.5)	(241.1)
SFAS 109 valuation allowance	(56.0)	(45.9)
Net deferred tax liability	$ (14.9)	$ (14.9)

</TABLE>

The estimated federal and California net operating loss carryforwards of $619.0 million and $261.0 million, respectively, expire in years 2004 through 2009, and 1996 through 2002. As of the bankruptcy Emergence Date, the Company experienced a change of ownership which may have the effect of restricting the Company's ability to utilize losses. The California net operating loss carryforward period was legislatively reduced to five years effective for losses generated in and subsequent to 1993. This change may further restrict the Company's ability to utilize its loss carryforwards.

The federal and California credit carryforwards of $3.6 million and $6.9 million, respectively, expire in years 2002 through 2005, and 2007 through 2009. The federal alternative minimum tax credit carryforward of $1.0 million carries over indefinitely.

Tax payments were $.4 million in 1994, $.2 million in 1993, $.2 million and $.1 million in the seventeen and thirty-five week periods comprising the fifty-two week period ended January 30, 1993.

Accounts Receivable and Credit Operations

Accounts receivable consist of the following:

<TABLE>
<CAPTION>

<S> <C> <C>

(In millions)	January 28, 1995	January 29, 1994
Customer receivables	$635.9	$578.3
Other receivables	47.9	66.3
	683.8	644.6
Less allowance for doubtful accounts	(19.0)	(17.2)
Accounts receivable, net	$664.8	$627.4

</TABLE>

Other receivables included estimated earthquake insurance recoveries of $25.0 million as of January 28, 1995 and $50.4 million as of January 29, 1994.

Selected credit operations information is as follows:

<TABLE>
<CAPTION>

	Year Ended		Period Ended	
	January 28, 1995 (52 weeks)	January 29, 1994 (52 weeks)	January 30, 1993 (17 weeks)	October 3, 1992 (35 weeks)
<S>	<C>	<C>	<C>	<C>
Credit sales as a percent of gross sales	49.0%	51.7%	52.7%	52.0%
Uncollectible account losses, net of recoveries, as a percent of credit sales	2.2%	2.5%	2.2%	3.6%

</TABLE>

The Company's proprietary credit card penetration has eroded 3.0% from 52.0% of gross sales in the thirty-five week period ended October 3, 1992 to 49.0% in the current year. In part, this reflects the impact of the Company's approximately 85% sales concentration in California which continues to experience economic weakness, resulting in lower levels of consumer confidence and decreased total credit sales. In addition, it reflects the wider use of third party bank cards. Current year write-offs at 2.2% of credit sales improved from 2.5% for the fifty-two week period ended January 29, 1994 reflecting improved collections and the effect of easing minimum payment requirements. Since the decline in write-offs is partially attributable to the temporary favorable impact of reduced minimum payments, the allowance for doubtful accounts continues to be carried at 3.0% of customer receivables outstanding.

Inventories

The LIFO method of accounting resulted in a credit to cost of goods sold of $3.5 million in the current year compared to credits of $8.9 million in 1993 and $1.9 million for the seventeen weeks ended January 30, 1993 and a charge of $7.1 million for the thirty-five weeks ended October 3, 1992. If all inventories had been valued on the first-in, first-out ("FIFO") basis, they would have been lower at each period end by $14.3 million at January 28, 1995, $10.8 million at January 29, 1994 and $1.9 million at January 30, 1993.

In accordance with the principles of fresh start reporting, merchandise inventories at October 3, 1992 were restated at fair market value, resulting in elimination of the LIFO reserve at that date.

Leases

Certain Company operations are conducted in leased properties, which include retail stores, distribution centers, and office facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods. Leases are generally at fixed rental rates, except that certain leases provide for additional rental charges based on sales in excess of predetermined levels.

Rent expense for each period is as follows:

<TABLE>
<CAPTION>

	Year Ended		Period Ended	
(In millions)	January 28, 1995 (52 weeks)	January 29, 1994 (52 weeks)	January 30, 1993 (17 weeks)	October 3, 1992 (35 weeks)

<S> <C> <C> <C> <C>

Minimum rent	$21.1	$21.4	$ 8.2	$18.0
Rent based on sales	.6	.7	.4	.4
	-----	-----	-----	-----
Total rent expense	$21.7	$22.1	$ 8.6	$18.4
	=====	=====	=====	=====

</TABLE>

The following table shows the future minimum obligations under leased commitments in effect at January 28, 1995:

<TABLE>
<CAPTION>

(In millions)	Capitalized Leases	Operating Leases
<S>	<C>	<C>
1995	$ 7.1	$ 22.8
1996	6.9	23.1
1997	6.9	24.8
1998	6.6	24.8
1999	6.6	24.8
Thereafter	42.9	277.5
	------	------
Total future minimum obligations	$ 77.0	$397.8
	======	======
Present value, including $3.1 million current portion of capital lease obligations	$ 44.7	$164.7
	======	======

</TABLE>

Property and Equipment, Net

Property and equipment was adjusted to fair market value at October 3, 1992. The revaluation resulted in a net increase in property and equipment of $283.4 million, including the elimination of all accumulated depreciation.

Property and equipment is as follows:

<TABLE>
<CAPTION>

(In millions)	January 28, 1995	January 29, 1994
<S>	<C>	<C>
Land	$121.7	$121.7
Buildings and improvements	376.4	358.8
Leasehold improvements	70.9	57.4
Fixtures and equipment	209.1	144.9
Construction in progress	24.4	9.9
Leased property under capital leases, primarily buildings	38.3	38.5
Revalued leases	112.5	112.5
	------	------
	953.3	843.7
	------	------
Less accumulated depreciation and amortization	65.0	33.1
	------	------
Property and equipment, net	$888.3	$810.6
	======	======

</TABLE>

Capital expenditures in the past three years have been focused on modernization of stores and support facilities. Expenditures include renovating, expanding, and re-equipping existing stores and expenditures for improvements and fixtures for administrative facilities and distribution centers.

Depreciation expenses included in selling, general and administrative expenses were $32.1 million in 1994, $25.7 in 1993, $8.0 million for the seventeen week period ended January 30, 1993, and $21.5 million for the thirty-five week period ended October 3, 1992.

Credit Facility

Working capital financing is provided under a General Electric Capital Corporation ("GE Capital") facility (the "Credit Facility") which matures October 8, 1996. The facility provides for up to $225.0 million in working capital borrowings secured on a first priority basis by substantially all of the Company's tangible and intangible personal property. Interest is computed at a rate equivalent to one and one-half percent above the GE Capital index rate. In addition, the facility includes a commitment fee of one-half percent on the unused portion of the credit line and requires the payment of administrative fees and line-of-credit fees equivalent to 2.375 percent of the face amount of letter-of-credit obligations. In addition, the facility includes restrictions on capital expenditures and the payment of dividends and includes covenants for material adverse changes, minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization. As of January 28, 1995, there were $11.7 million in advances and $48.7 million in letters of credit outstanding under the facility.

Long-Term Debt

<TABLE>
<CAPTION>

(In millions)	January 28, 1995	January 29, 1994
Receivables based financing		
Receivables facility	$509.1	$332.2
Subordinated asset backed notes		
7.55 percent notes due 1999	38.0	
11.0 percent notes due 1999	26.0	
	$573.1	$332.2
Other secured long-term debt		
Term loans due in 1999 (6.75 percent at January 28, 1995 and 3.875 percent at January 29, 1994)	$ 89.7	$ 89.7
9.0 percent notes due 1997-2002	77.1	68.5
9.9 percent notes due 1995-2010	9.9	9.4
10.67 percent notes due 1997-2002	344.0	344.0
Other notes (8.25 percent to 9.9 percent at January 28, 1995 and January 29, 1994)	5.4	6.3
	526.1	517.9
Less current portion of long-term debt	3.6	.6
	$522.5	$517.3
6.25 percent convertible senior subordinated notes due 2000	$143.8	$143.8

</TABLE>

Up to $575.0 million in receivables based financing is provided under a receivables facility provided by GE Capital. The GE Capital facility provides for Blue-Hawk Funding Corporation, a limited purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper. Outstanding borrowings under the facility, which are secured by the Company's customer receivables, accrue interest at the A-1/P-1 commercial paper rate plus 1.08%. At January 28, 1995, the interest rate for borrowings under the facility was 7.3%.

A private placement of an additional $64.0 million in receivables based financing is provided under subordinated asset backed notes (the "Asset Backed Notes") completed in September 1994. The notes were issued in two classes: $38.0 million of 7.55% Class A notes due in 1999 and $26.0 million of 11.0% Class B notes due 1999. The notes are redeemable at the option of the Company, in whole or in part, on each interest payment date on or after October 15, 1994 and on October 8, 1996 at a redemption price combining principal, accrued interest, unpaid interest, and a make-whole premium.

On December 31, 1991,the Company and Prudential concluded the Prudential Settlement Agreement with respect to the $344.0 million of notes (the "Existing Notes") due 1993 to 1997. The Prudential Settlement Agreement, which became effective on October 8, 1992, extended the maturity of the notes for five years to October 2002. In addition, previously accrued and unpaid interest and certain other charges totalling $53.4 million were capitalized into a 9 percent note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note will commence in November 1997, continuing in equal monthly installments through October 2002. Although the Existing Notes continued to accrue interest at the blended contract rate of 10.67 percent during the first two years following the Emergence Date, the Company was only required to pay interest at a lower rate of 7.5 percent (the "Pay Rate"). The difference between the Pay Rate and the blended contract rate amounted to $23.8 million and was capitalized under the terms of the Accrued Interest Note with principal payments commencing in November 1997 and continuing in equal installments over the remaining life of the notes.

On July 28, 1992, the Company and Bank of America NT&SA ("BofA") concluded the BofA Settlement Agreement with respect to the $89.7 million of term loans due in 1995. The BofA Settlement Agreement, which became effective on October 8, 1992, extends the maturity of the term loans for four years to June 1999. In accordance with the BofA Settlement Agreement, interest from October 8, 1992 through June 30, 1995, will be payable at LIBOR plus .625 percent and thereafter at LIBOR plus 1.25 percent.

On December 21, 1993, the Company issued and sold $143.75 million of 6.25% Convertible Senior Subordinated Notes due December 31, 2000 (the "Convertible Notes"). Prior to the maturity date, the notes are convertible at the option of the holder into shares of Common Stock, at a conversion price of $12.19 per share, subject to adjustment in certain events. The notes are redeemable at the option of the Company, in whole or in part, at any time on and after December 31, 1998, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest. The notes do not provide for any sinking fund. Upon a Change in Control (as defined in the Registration Statement), holders of the Convertible Notes will have the right, subject to certain restrictions and conditions, to require the Company to purchase all or any part of the notes at the principal amount thereof together with accrued and unpaid interest to the date of purchase.

Principal maturities of other secured long-term debt payable over the next five years are $3.6 million in 1995, $5.4 million in 1996, $9.8 million in 1997, $21.6 million in 1998, $95.4 million in 1999, with $390.3 million due thereafter. This debt is secured by property with a net carrying value of $491.9 million.

The Company's debt agreements include restrictions on capital expenditures and covenants for minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 ("SFAS No. 107") requires the disclosure of fair value of financial instruments for which it is practical to estimate that value. The Company's various long term debt liabilities constitute the only financial instruments with a potential carrying value different from fair value. Each class of financial instrument requires different methods of estimating fair value as described below.

Receivables based financing - Financing under the receivables facility of $509.1 million bear interest at floating rates which reflect short-term market rate changes and are assumed to have a book value that approximates fair value. The $64.0 million of asset backed notes were issued in a September 1994 private placement and their fair value is assumed not to have changed significantly at year-end.

Other Secured long-term debt - Management believes that no practicable method exists for establishing a current fair value for the $526.1 million secured long-term debt because arrangements with similar terms would not have been negotiable outside of bankruptcy proceedings. Discounting assumptions are likewise not ascertainable as each lender has a unique perception of fair value depending on their unique assessment of credit risk, their targeted investment goals and their relationship to the Company. Except for the $89.7 million of borrowings which bear interest at LIBOR plus 0.625%, all other borrowings are at fixed rates from 8.25% to 10.67%.

Convertible Senior Subordinated Notes - These notes were issued in a private placement during December 1993. Since these notes are privately held, there is no readily ascertainable market value for these notes. The fair value of these notes cannot be compared to other publicly traded securities because the notes are unique with respect to the conversion price, relationship to stock price, maturity date, and interest rate.

Retirement Plans

The Company has two qualified noncontributory pension plans covering substantially all employees. Employees who have completed one year of employment, are at least 21 years of age, and are not covered by a collectively bargained pension plan, are covered by the plans and become vested for benefit purposes after completing five years of employment with the Company. The Company also has unfunded nonqualified pension plans covering certain employees and directors. The Company contributes at least the actuarially determined minimum amount necessary to fund participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Periodically, changes in the business environment cause management to revise significant actuarial assumptions used in the development of the pension plans funded status and for computation of pension expense. As of January 29, 1994, the discount factor used to compute the present value of pension liabilities was reduced from 8.5 percent to 7.25 percent, reflecting the reduction in long-term rates experienced during 1993. Lower actual and expected rates of inflation also resulted in reductions to the long-term rate of return on assets from 9.5 percent to 9.25 percent and in the projected rate of compensation increases from 5.0 percent to 4.5 percent. In fiscal 1994, a market reversal of long-term interest rate trends caused the Company to revise the discount factor back to 8.5 percent, effective January 28, 1995.

The assumption changes made effective January 29, 1994 resulted in a $27.1 million increase to the pension liability at that date, of which $14.3 million was charged directly to equity as a separate component of the Total Accumulated Deficit. The January 28, 1995 revision to the discount rate resulted in a $28.5 million decrease in the current year end pension liability of which $8.0 million was credited directly to equity as a separate component of the Total Accumulated Deficit.

The following table summarizes pension expense and funded status of the plans, as determined by the Company's actuary, together with an analysis of the significant actuarial assumptions used:

<TABLE>
<CAPTION>

	Year Ended		Period Ended	
	January 28, 1995	January 29, 1994	January 30, 1993	October 3, 1992
(In millions except percentage information)	(52 weeks)	(52 weeks)	(17 weeks)	(35 weeks)

<S> <C> <C> <C> <C>

Service cost	$ 4.5	$ 3.8	$ 1.3	$ 2.7
Interest cost	15.2	14.6	4.7	9.5
Actual net return on plan assets	2.8	(13.1)	(4.9)	(3.6)
Net amortization and deferral	(11.8)	3.6	2.0	
Net pension expense	$ 10.7	$ 8.9	$ 3.1	$ 8.6
Funded status of plans				
Accumulated benefit obligation				
Vested benefits	$(188.9)	$(203.7)	$(167.1)	$(166.1)
Nonvested benefits	(2.3)	(3.7)	(4.0)	(4.9)
	(191.2)	(207.4)	(171.1)	(171.0)
Effect of projected compensation increase	(8.8)	(13.2)	(11.1)	(12.1)
Projected benefit obligation	(200.0)	(220.6)	(182.2)	(183.1)
Plan assets at fair value	109.3	114.0	102.9	97.4
Funded status	(90.7)	(106.6)	(79.3)	(85.7)
Unrecognized net (gain) loss	14.5	27.2	(4.0)	
Additional minimum liability recognized under SFAS No. 87	(6.7)	(14.8)		
Pension liability	$ (82.9)	$ (94.2)	$ (83.3)	$ (85.7)
Significant actuarial assumptions				
Discount rate	8.5%	7.25%	8.5%	8.5%
Long-term rate of return on plan assets	9.25	9.25	9.5	9.5
Rate of future compensation increases	4.5	4.5	5.0	5.0

</TABLE>

As of January 28, 1995, the $90.7 million unfunded projected benefit obligation consisted of $56.2 million relating to the qualified plans and $34.5 million relating to the nonqualified plans.

Certain retired employees also receive health care and life insurance benefits which are subsidized to varying degrees by the Company. The post-retirement medical benefits are available only to employees who had retired or were eligible to retire by August 1, 1991 and who had met all other plan eligibility requirements. A life insurance benefit of $1,000 per employee is provided by the Company to all eligible current and retired employees. Additional life insurance benefits are also provided to a select group of executives. The executive life benefits were amended effective January 1993, to reduce the amount of coverage post-retirement, based on age. The amendment which applies to both current retirees and eligible plan participants resulted in a $1.9 million reduction to the January 30, 1993 accumulated benefit obligation. This gain is being amortized as a reduction in post-retirement benefit expense on a straight line basis over a ten year period representing the average service period to full eligibility for this benefit.

The following table summarizes the expense and the accumulated benefit obligation for these plans.

<TABLE>
<CAPTION>

	Year Ended		Period Ended	
	January 28, 1995	January 29, 1994	January 30, 1993	October 3, 1992
(In millions)	(52 weeks)	(52 weeks)	(17 weeks)	(35 weeks)
<S>	<C>	<C>	<C>	<C>
Medical Plan Benefits				
Interest cost representing net periodic plan expense	$ 1.9	$ 2.2	$ .7	$ 1.5

	======	======	======	======
Accumulated benefit obligation:				
Retirees	$(22.1)	$(25.2)	$(24.7)	$(24.8)
Fully eligible active plan participants	(.8)	(1.0)	(1.2)	(1.2)
Other active plan participants	(.1)	(.1)	(.1)	(.1)
Unrecognized net (gain) loss	(2.5)	.6	.1	
	------	------	------	------
Accrued benefit liability	$(25.5)	$(25.7)	$(25.9)	$(26.1)
	======	======	======	======

Life Insurance Benefits
- ----------------------

Net periodic plan expense:				
Service cost	$ .1	$ .1	$	$ .2
Interest cost	.4	.4	.2	.3
Amortization of prior service gain	(.2)	(.2)		
	------	------	------	------
	$ .3	$ .3	$ .2	$ .5
	======	======	======	======
Accumulated benefit obligation at period end:				
Retirees	$ (3.9)	$ (4.4)	$ (3.0)	$ (4.0)
Fully eligible active plan participants	(.4)	(.5)	(.6)	(1.2)
Other active plan participants	(.2)	(.3)	(.4)	(.7)
Unrecognized prior service gain	(1.5)	(1.7)	(1.9)	
Unrecognized net (gain) loss	(.3)	.8		
	------	------	------	------
Accrued benefit liability	$ (6.3)	$ (6.1)	$ (5.9)	$ (5.9)
	======	======	======	======

</TABLE>

The postretirement medical and life insurance benefits are provided under nonqualified plans. The accumulated benefit obligation represents the present value of expected future payments discounted at 8.5 percent. Medical inflation has been projected at a blended rate of eleven percent per annum for fiscal 1995, declining by 2002 to a long term rate of approximately six and one-half percent per annum. The effect of a one-percentage-point increase in the assumed medical cost trend rate would be to increase the net periodic medical plan expense by $.2 million and to increase the related accumulated benefit obligation by $2.3 million.

The Company's 401(k) Savings and Investment Plan is available to substantially all employees who have completed one year of service. For eligible participant contributions made after March 1993, the Company provides a 25 percent matching contribution in the form of newly issued shares of Company common stock.

At January 28, 1995, the plan held .5 million shares of Common Stock representing 1.1 percent of common stock outstanding or still issuable under the POR and .5 million shares of preferred stock representing 55.7 percent of preferred shares outstanding or still issuable under the POR.

Employee Stock Incentive Plans

The Company has a long-term incentive compensation plan designed to attract and retain top-quality management. The plan, among other things, provides for the issuance of stock options at an exercise price that is generally not less than the market value of the common stock on the date of grant. During the fiscal year ended January 28, 1995, 1.1 million options were awarded and 82,466 options were exercised under the plan. As of January 28, 1995, 2.4 million options were outstanding and exercisable at exercise prices ranging from $9.125 to $14.00. The options, which vest in one-third increments over three years, are exercisable over a ten year period, generally beginning one year from the date of grant.

Contingencies

Notwithstanding the confirmation and effectiveness of the POR, the Bankruptcy Court continues to have jurisdiction to, among other things, resolve disputed prepetition claims against the Company and to resolve other matters that may arise in connection with or relate to the POR.

Pursuant to the POR, the Company was required to distribute .046 shares of Common Stock for each $1.00 of allowed general unsecured claims. The POR estimated the total amount of such claims to be approximately $600.0 million, against which the Company reserved 27.6 million shares of Common Stock. As of January 28, 1995, approximately $28.6 million of disputed claims remained outstanding. Management believes such claims will ultimately be allowed upon settlement or litigation for approximately $10.0 million, for which the Company has reserved approximately .8 million shares which are included in the Company's calculation of its outstanding Common Stock. Management believes that reserved shares of Common Stock will be sufficient to meet the Company's obligations to such claim holders. If all disputed claims were allowed in full, such claim holders would be entitled to a total of 1.3 million shares of Common Stock, compared to the .8 million shares reserved, resulting in a dilution to holders of outstanding Common Stock of approximately 1%. Management regularly evaluates the status of remaining disputed claims and claim settlement experience and accordingly would adjust its estimate of the number of shares to be reserved for issuance with respect to such claims if necessary.

The Company is engaged in an ongoing effort to resolve these remaining disputed claims. Because of the disputed nature of these claims and the delays associated with litigation generally, Management anticipates that the settlement of these claims is likely to occur over an extended period of time.

The Company is involved in various other legal proceedings incidental to the normal course of business. Management does not expect that any of such other proceedings will have a material adverse effect on the Company's financial position or results of operations.

Preferred Stock and Warrants

Pursuant to the POR, shares of Series A exchangeable preferred stock, par value $.01 ("Preferred Stock") or warrants to purchase shares of Common Stock ("Warrants") were issuable to existing holders of Old Common Stock at a rate of .084 for each share of Old Common Stock held. The Company does not intend to have the preferred stock listed for trading on any national securities exchange or other national automated quotation system. The Warrants have been registered and listed for trading on the New York and Pacific Stock Exchanges.

At the option of the holders of Preferred Stock, shares of Preferred Stock are exchangeable on a one-for-one basis to Warrants to purchase Common Stock. During 1994, approximately 96,000 shares of Preferred Stock were converted to warrants. The Company does not expect ever to pay a dividend with respect to the Preferred Stock. In the event of dissolution, liquidation, or winding-up, the holders of Preferred Stock are entitled to a liquidation preference of $0.25 per share from assets remaining after the full satisfaction of the prior rights of creditors. As of January 28, 1995, the authorized Preferred Stock of the Company consisted of twenty-five million shares, $.01 par value, of which .8 million shares were issued and outstanding.

Each Warrant entitles the holder any time prior to the close of business on October 8, 1999, to purchase a share of Common Stock at a purchase price equal to $17.00 per share, subject to adjustment from time to time. In the event the market price of the common stock equals or exceeds $25.50 per share for 30 consecutive trading days, the Board of Directors, after the passage of 30 months from October 8, 1992, may, upon 75 days notice, shorten the exercise period to end on a date earlier than October 8, 1999.

Common Stock

Pursuant to the POR, effective October 8, 1992, all existing shares of Old Common Stock were converted into 2.4 million shares of Common Stock and a combined total of 2.5 million in warrants or shares of convertible preferred stock. Unsecured claims were converted into approximately 27.6 million shares of new Common Stock. In addition, in accordance with the POR Zell/Chilmark and an institutional investor each acquired an additional 2.5 million shares of new common stock at a price of $10.00 per share.

In addition, shortly after the Effective Date, 80,000 shares of Common Stock were issued as bonus compensation to certain professionals engaged in the Chapter 11 proceedings, and a total of approximately 134,000 shares of Common Stock were issued to employees. In December 1992, all eligible employees each received ten shares of Common Stock as a result of this stock issuance.

In July 1993, the Company raised net proceeds of $147.5 million through a public offering of 11.45 million shares of Common Stock.

The accompanying financial statements reflect the issuance of all shares of Common Stock, preferred stock, and warrants contemplated by the POR. As of January 28, 1995, up to 1.0 million shares of Common Stock, .1 million shares of Preferred Stock, and fewer than .1 million Warrants remain issuable under the POR to satisfy outstanding claims and conversion of unpresented shares of Old Common Stock. At January 28, 1995, the Company's authorized common stock consisted of 100 million shares, $.01 par value of which 5.9 million shares were reserved under the employee stock incentive plan (.2 million options exercised to date), 1.5 million shares were reserved for purchase by and contribution to the Company's 401(k) Savings & Investment Plan which currently holds .5 million shares and 2.5 million shares were reserved for purchase by warrant holders of which there have been no purchases to date.

The Company's ability to pay dividends on its common stock is restricted pursuant to the terms of its Credit Facility and the BofA Settlement Agreement. As a result, the Company does not expect to pay common stock dividends for the foreseeable future.

BROADWAY STORES, INC.

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

<TABLE>
<CAPTION>

(In thousands)	Balance At Beginning of Period	Additions Charged to Costs and Expenses	Accounts Charged off Less Recoveries	Other	Balance At End of Period
Fiscal year ended January 28, 1995..	$17,224	$26,383	$24,615	$	$18,992
Fiscal year ended January 29, 1994..	$17,300	$29,545	$29,621	$	$17,224
Seventeen week period ended January 30, 1993 Allowance for doubtful accounts.........................	$14,583	$14,133	$11,416	$	$17,300
Thirty-five week period ended October 3, 1992 Allowance for doubtful accounts.........................	$16,605	$22,277	$25,271	$ 972/(1)/	$14,583

</TABLE>

/(1)/ Adjusted to fair value in accordance with the Reorganization Statement.

QUARTERLY INFORMATION (unaudited)
<TABLE>
<CAPTION>

Period Ended				
April 30, 1994	July 30, 1994	October 29, 1994	January 28, 1995	January 28, 1995

(Dollar amounts in millions)	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)	(52 weeks)
<S>	<C>	<C>	<C>	<C>	<C>
1994					
Sales.................................	$ 431.1	$ 457.0	$ 474.9	$ 723.8	$2,086.8
Percent change from prior year					
Total sales basis...................	(2.6)	(3.8)	1.1	2.6	(.3)
Comparative store sales basis........	4.7	1.2	3.9	2.8	3.1
Finance charge revenue................	22.5	22.4	22.2	24.2	91.3
Cost of goods sold, including occupancy and buying costs/(1)/................	319.4	338.3	355.3	547.1	1,560.0
Selling, general and administrative expenses.............................	129.7	130.5	134.7	159.4	554.4
Interest expense, net.................	22.5	23.5	25.5	29.4	100.9
Earnings (loss) from operations before income taxes.........................	(18.0)	(12.9)	(18.4)	12.1	(37.2)
Income tax expense/(2)/................				(.2)	(.2)
Net earnings (loss)...................	$ (18.0)	$ (12.9)	$ (18.4)	$ 11.9	$ (37.4)
Net earnings (loss) per common share...	$ (.38)	$ (.28)	$ (.39)	$ .25	$ (.80)

</TABLE>

/(1)/ As a result of the seasonal nature of the Company's business, the Company follows the practice of allocating certain fixed buying and occupancy costs among quarters within the fiscal year in proportion to projected quarterly sales results. This process results in a higher portion of yearly fixed buying and occupancy costs being allocated to the fourth quarter.

/(2)/ For fiscal 1994, the Company recorded a $.2 million charge for state franchise taxes in the fourth quarter.

QUARTERLY INFORMATION (unaudited)

<TABLE>
<CAPTION>

	Period Ended				
	May 1, 1993	July 31, 1993	October 30, 1993	January 29, 1994	January 29, 1994
(Dollar amounts in millions)	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)	(52 weeks)
<S>	<C>	<C>	<C>	<C>	<C>
1993					
Sales.................................	$ 442.5	$ 474.9	$ 469.7	$ 705.6	$2,092.7
Percent change from prior year					
Total sales basis....................	2.0	(1.3)	(4.2)	(3.7)	(2.1)
Comparative store sales basis.........	5.2	1.3	(.8)	1.3	1.6
Finance charge revenue.................	21.2	19.9	18.9	21.5	81.5
Cost of goods sold, including occupancy and buying costs (1)	329.5	360.3	360.0	539.3	1,589.1

Selling, general and administrative expenses..............................	129.2	130.3	133.9	157.8	551.1
Charge for non-recurring costs (2)......		25.0		20.0	45.0
Interest expense, net..................	22.3	21.7	19.8	21.1	84.9
	-------	-------	-------	-------	--------
Earnings (loss) from operations before income taxes..........................	(17.3)	(42.5)	(25.1)	(11.1)	(95.9)
Income tax benefit (expense)(3).........	6.9			(6.9)	
	-------	-------	-------	-------	--------
Net loss...............................	$ (10.4)	$ (42.5)	$ (25.1)	$ (18.0)	$ (95.9)
	=======	=======	=======	=======	========
Net loss per common share..............	$ (.29)	$ (1.12)	$ (.54)	$ (.38)	$ (2.30)
	=======	=======	=======	=======	========

</TABLE>

(1) As a result of the seasonal nature of the Company's business, the Company follows the practice of allocating certain fixed buying and occupancy costs among quarters within the fiscal year in proportion to projected quarterly sales results. This process results in a higher portion of yearly fixed buying and occupancy costs being allocated to the fourth quarter.

(2) Non-recurring costs include $25.0 million in the second quarter and $5.0 million in the fourth quarter for one-time costs to be incurred in the implementation of the strategic plan to streamline the Company. The fourth quarter also includes a charge of $15.0 million to cover January 1994 earthquake related losses in excess of insurance proceeds.

(3) For fiscal 1993, the Company recorded a zero net tax benefit comprised of a federal deferred tax benefit of $2.6 million offset by a state deferred tax provision of $2.6 million. The federal tax benefit was limited to the $2.6 million beginning of the year federal deferred tax liability. The state tax provision resulted from a California tax law change enacted in late 1993 which reduced the carryover period for California net operating loss carryforwards from fifteen years to five years. These adjustments were reflected in the fourth quarter of the year, resulting in the elimination of the first quarter benefit which was established on the basis of a 40% statutory rate applied to pretax results.

BROADWAY STORES, INC.

Consolidated Statement of Earnings
(In thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 1995	July 30, 1994	July 29, 1995	July 30, 1994
	---------	---------	---------	---------
<S>	<C>	<C>	<C>	<C>
Sales	$460,639	$457,030	$884,550	$888,107
Finance charge revenue	23,691	22,388	48,285	44,925
Cost of goods sold, including occupancy and buying costs	351,797	338,288	676,550	657,654
Selling, general, and administrative expenses	138,617	130,549	274,532	260,244
	--------	--------	--------	--------

Earnings (loss) from operations before interest expense and income taxes	(6,084)	10,581	(18,247)	15,134
Interest expense, net	31,364	23,516	62,499	46,029
	--------	--------	--------	--------
Pretax loss	(37,448)	(12,935)	(80,746)	(30,895)
Income taxes	0	0	0	0
	--------	--------	--------	--------
Net loss	$(37,448)	$(12,935)	$(80,746)	$(30,895)
	========	========	========	========
Loss per common share	$ (0.80)	$ (0.28)	$ (1.72)	$ (0.66)
	========	========	========	========

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

BROADWAY STORES, INC.

Consolidated Balance Sheet
(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

<S>	July 29, 1995 <C>	January 28, 1995 <C>	July 30, 1994 <C>
ASSETS			
Current assets			
Cash	$ 15,901	$ 18,318	$ 15,575
Accounts receivable, net	559,939	664,825	569,931
Merchandise inventories	390,825	504,522	415,443
Other current assets	25,418	11,613	27,640
	----------	----------	----------
	992,083	1,199,278	1,028,589
Property and equipment, net	885,002	888,258	816,947
Other assets	34,521	39,540	35,572
	----------	----------	----------
	$1,911,606	$2,127,076	$1,881,108
	==========	==========	==========
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	$ 51,676	$ 11,740	$
Current installments	6,750	6,750	3,460
Accounts payable	107,295	175,622	128,997
Accrued expenses	113,029	141,027	125,525
Current income taxes	824	1,002	977
	----------	----------	----------
	279,574	336,141	258,959
Receivables based financing	503,584	573,138	392,143
Other secured long-term debt	521,384	522,517	523,517
Convertible subordinated notes	143,750	143,750	143,750
Capital lease obligations	39,930	41,524	43,199
Other liabilities	103,121	109,504	121,227
Deferred income taxes	14,850	14,850	14,850
Shareholders' equity			

Preferred stock, $.01 par value	8	9	9
Common stock, $.01 par value	470	469	469
Other paid-in capital	502,545	502,038	501,425
Accumulated deficit	(197,610)	(116,864)	(118,440)
	305,413	385,652	383,463
	$1,911,606	$2,127,076	$1,881,108

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

BROADWAY STORES, INC.

Consolidated Statement of Cash Flows
(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 29, 1995	July 30, 1994	July 29, 1995	July 30, 1994
<S>	<C>	<C>	<C>	<C>
Operating activities				
Loss from operations	$(37,448)	$(12,935)	$(80,746)	$(30,895)
Adjustments to reconcile loss from operations to net operating cash flows				
Depreciation and amortization	12,703	10,192	25,339	20,201
Changes in operating assets and liabilities				
Customer receivables, net	15,528	4,438	71,718	39,048
Merchandise inventories	44,618	(9,935)	113,697	12,188
Accounts payable and accrued expenses	12,554	(4,139)	(96,325)	(49,166)
Other, net	7,453	(28,273)	11,158	(31,239)
Net cash provided (used) by operating activities	55,408	(40,652)	44,841	(39,863)
Investing activities				
Purchases of property and equipment	(6,988)	(14,387)	(15,420)	(21,741)
Financing activities				
Net change in financing under receivables based facility	(11,859)	52,582	(69,554)	59,961
Net change in financing under working capital facility	(37,076)		39,936	
Retirements of long-term debt and capital lease obligations	(1,531)	(808)	(2,727)	(1,615)
Issuances of common stock	507	426	507	641
Net cash provided (used) by financing activities	(49,959)	52,200	(31,838)	58,987
Net decrease in cash	(1,539)	(2,839)	(2,417)	(2,617)
Cash at the beginning of the period	17,440	18,414	18,318	18,192
Cash at the end of the period	$ 15,901	$ 15,575	$ 15,901	$ 15,575

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Reporting

The consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and should be read in the context of the Summary of Significant Accounting Policies and Financial Review contained in the Company's Annual Report on Form 10-K for the fifty-two week period ended January 28, 1995. In the opinion of the Company's management, these statements contain all adjustments, all of which are of a normal recurring nature, necessary for the amounts shown to be fairly stated as of July 29, 1995 and July 30, 1994 and for the thirteen and twenty-six week periods then ended. The Balance Sheet as of January 28, 1995 is as included in the Company's Form 10-K report for the year ended January 28, 1995.

Earnings Per Share of Common Stock

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the period, including dilutive stock options and all 35.0 million shares of Common Stock expected to be issued in accordance with the plan of reorganization (the "POR") approved in connection with the Company's emergence from bankruptcy on October 8, 1992 (the "Emergence Date"). As of July 29, 1995, 1.0 million shares of common stock remained reserved for issuance in accordance with the POR.

Inventories

The last-in, first-out ("LIFO") method of accounting resulted in charges to cost of goods sold of $1.0 million and $2.0 million for the thirteen and twenty-six week periods ended July 29, 1995, and $.5 million and $1.0 million in the comparative prior year periods. If all inventories had been valued on a first-in, first-out basis, they would have been lower by $12.3 million, $14.3 million and $9.8 million at July 29, 1995, January 28, 1995 and July 30, 1994 respectively.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of
R. H. Macy & Co., Inc. (Debtor-in-Possession)

We have audited the accompanying consolidated statements of financial condition of R. H. Macy & Co., Inc. (Debtor-in-Possession) and consolidated subsidiaries as of July 30, 1994 and July 31, 1993, and the related consolidated statements of operations, cash flows and changes in deficiency in net assets for each of the three years in the period ended July 30, 1994. Our audits also included the accompanying financial statement schedules. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of R. H. Macy & Co., Inc. (Debtor-in-Possession) and consolidated subsidiaries as of July 30, 1994 and July 31, 1993, and the results of their operations and their cash flows for each of the three years in the period ended July 30, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 of notes to consolidated financial statements, the Company and certain of its subsidiaries have filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such consolidated financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any additional changes that may be made in its business. The outcome of these matters is not presently determinable.

The accompanying consolidated financial statements have been prepared assuming that the Company and its subsidiaries will continue as a going concern. The results of operations for each of the three years in the period ended July 30, 1994 together with the uncertainties relating to the confirmation of the joint plan of reorganization and the consummation of the related merger agreement, among other matters, raise substantial doubt about the Company's ability to continue as a going concern. Management's discussion of these matters is set forth in Notes 1 and 2 of notes to consolidated financial statements. The consolidated financial statements do not include adjustments that might result from the outcome of the uncertainties referred to herein and in the preceding paragraph.

As discussed in Notes 18 and 19 of notes to consolidated financial statements, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions effective August 1, 1993 to conform with Statements of Financial Accounting Standard Nos. 109 and 106.

DELOITTE & TOUCHE LLP
New York, New York
September 19, 1994
(September 28, 29 and 30, 1994
as to the last paragraphs of
Notes 18, 2 and 20, respectively)

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)

AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<TABLE>
<CAPTION>

<S>	<C> JULY 30, 1994	<C> JULY 31, 1993
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)	
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$ 112,677	$ 41,533
Restricted cash (Note 3)	44,393	34,915
Other receivables	122,641	119,670
Merchandise inventories (Notes 3 and 4)	1,244,253	1,279,744
Prepaid expenses	62,270	68,512
Total Current Assets	1,586,234	1,544,374
Other Assets:		
Investment in joint venture at equity	23,347	17,197
Other assets (Notes 3 and 5)	75,971	103,091
	99,318	120,288
Property and Equipment (Notes 3, 8, 9 and 20):		
Land	404,311	417,072
Building and improvements on owned properties	1,465,212	1,521,521
Building and improvements on leased properties	633,022	463,602
Fixtures and equipment	866,154	922,579
Construction in progress	123,758	99,267
Capitalized leases	111,145	82,515
Leasehold values	20,939	19,210
	3,624,541	3,525,766
Accumulated depreciation and amortization	1,166,307	1,089,939
	2,458,234	2,435,827
	$ 4,143,786	$ 4,100,489
LIABILITIES AND DEFICIENCY IN NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 6)	$ 841,167	$ 874,492
Short-term borrowings (Note 7)	--	62,698
Current income taxes (Note 18)	510	402
Current portion of obligations under capitalized leases (Note 20)	15,222	13,891
Total Current Liabilities	856,899	951,483
Deferred Taxes (Note 18)	18,720	--
Other Long-Term Liabilities	128,435	117,265
Obligations Under Capitalized Leases (Note 20)	44,240	27,829
Obligations Subject to Settlement Under Reorganization Proceedings (Note 8)	5,639,810	5,568,603
Preferred Stock (Note 10):		
par value $1.00 per share, authorized 25,000,000 shares, Series I, II and III cumulative, 8%:		
Series I, 9,000,000 shares designated, 7,494,465 shares outstanding in 1994 and 1993, aggregate liquidation preference $296,900,000, redeemable	--	--
Series II, 1,000,000 shares designated, 211,506 shares outstanding in 1994 and 1993, aggregate liquidation preference $33,640,000, redeemable	--	--
Series III, 7,000,000 shares designated, 5,298,330 shares outstanding in 1994 and 1993, aggregate liquidation preference $168,540,000, redeemable	--	--
Deficiency in Net Assets:		
Common stock, par value $1.00 per share, 40,000,000 authorized, 1,750,000 issued in 1994 and 1993 (Notes 11 and 12)	1,750	1,750
Deficit	(2,544,735)	(2,565,108)
Less: Treasury Stock, at cost, 133,300 shares in 1994 and 1993	(1,333)	(1,333)
Deficiency in Net Assets	(2,544,318)	(2,564,691)
	$ 4,143,786	$ 4,100,489

----------- -----------
----------- -----------
</TABLE>

See notes to consolidated financial statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED					
	JULY 30, 1994 (52 WEEKS)		JULY 31, 1993 (52 WEEKS)		AUGUST 1, 1992 (52 WEEKS)	
	AMOUNT	PERCENT OF SALES	AMOUNT	PERCENT OF SALES	AMOUNT	PERCENT OF SALES
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net retail sales (including licensed departments) (Note 13)...	$ 6,163,346	100.0%	$ 6,299,982	100.0%	$ 6,448,885	100.0%
Less:						
Cost of goods sold, including occupancy and buying costs......	4,378,315	71.0	4,461,945	70.8	4,753,627	73.7
Selling, general and administrative expenses.........	1,759,205	28.6	1,909,648	30.3	2,025,294	31.4
Unusual items--net (Note 16)......	19,500	0.3	20,255	0.3	314,926	4.9
Income/(loss) from operations before interest expense, earthquake loss and reorganization items............................	6,326	0.1	(91,866)	(1.4)	(644,962)	(10.0)
Interest expense--net (Contractual interest of $475,083 in 1994, $439,894 in 1993 and $443,665 in 1992) (Note 14)................	198,600	3.2	236,376	3.8	344,223	5.3
Earthquake loss (Note 15)..........	15,000	0.2	--	--	--	--
Loss before reorganization items--net.......................	(207,274)	(3.3)	(328,242)	(5.2)	(989,185)	(15.4)
Reorganization items--net (Note 17)............................	(38,682)	(0.6)	214,659	3.4	261,122	4.0
Loss before income taxes/(benefit) and cumulative effect of an accounting change................	(168,592)	(2.7)	(542,901)	(8.6)	(1,250,307)	(19.4)
Income taxes/(benefit) (Note 18)............................	(3,625)	--	1,000	--	1,000	--
Net loss before cumulative effect of an accounting change...........	(164,967)	(2.7)	(543,901)	(8.6)	(1,251,307)	(19.4)
Cumulative effect of an accounting change (Note 18)................	185,340	3.0	--	--	--	--
Net earnings/(loss)................	$ 20,373	0.3%	$ (543,901)	(8.6)%	$(1,251,307)	(19.4)%
Primary earnings/(loss) per share of common stock: (Note 3)						
Net loss before cumulative effect of an accounting change.........	$ (102.02)		$ (336.36)		$ (782.13)	
Cumulative effect of an accounting change.........................	114.62		--		--	
Primary earnings/(loss) per share of common stock.........	$ 12.60		$ (336.36)		$ (782.13)	
Fully diluted earnings per share of common stock: (Note 3)						
Net loss before cumulative effect of an accounting change.........	$ (11.28)					
Cumulative effect of an accounting						

change	12.68
Fully diluted earnings per share of common stock	$ 1.40

</TABLE>

See notes to consolidated financial statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED		
	JULY 30, 1994 (52 WEEKS)	JULY 31, 1993 (52 WEEKS)	AUGUST 1, 1992 (52 WEEKS)
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net earnings/(loss)	$ 20,373	$(543,901)	$ (1,251,307)
Adjustments to reconcile net earnings/(loss) to net cash provided by/(used for) operating activities:			
Depreciation and amortization	306,717	287,195	288,757
Interest accrued on pre-petition debt and termination compensation asserted to be due under interest rate protection agreements	65,238	285,974	154,728
Reorganization items--net	29,475	35,263	117,834
Earthquake loss	15,000	--	--
Non-cash interest	29,406	21,722	41,339
Loss/(gain) on disposal of property	289	(13,286)	--
Accrued postretirement benefits	20,534	--	--
Cumulative effect of an accounting change	(185,340)	--	--
Write-off of excess of cost over fair value of net assets acquired	--	--	241,452
Deferred taxes	(5,248)	--	--
Other	(550)	--	5,748
Change in current assets and liabilities:			
Restricted cash	(9,478)	(1,285)	(33,630)
Other receivables	18,651	1,520	3,494
Merchandise inventories	9,928	(69,206)	242,208
Prepaid expenses	4,142	(3,906)	6,674
Accounts payable and accrued liabilities	(71,293)	(50,549)	616,673
Income taxes	108	(4)	406
Increase in working capital and other liabilities due to reorganization activities	(8,620)	(27,421)	(914,853)
Decrease/(increase) in other assets	2,655	25,651	(21,392)
Increase/(decrease) in other liabilities and deferred taxes	(3,552)	16,736	83,032
Other, net	(231)	(11)	2,000
Net cash provided by/(used for) operating activities	238,204	(35,508)	(416,837)
INVESTING ACTIVITIES:			
Additions to property and equipment	(143,070)	(113,913)	(246,219)
Insurance proceeds from earthquake damage	73,000	--	--
Proceeds from disposition of assets	2,580	14,299	--
Net cash used for investing activities	(67,490)	(99,614)	(246,219)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	--	--	9,100
Proceeds from/(repayment of) short-term borrowings	(65,900)	65,900	(125,495)
Repurchase of treasury shares	--	--	(175)
Repayments of secured debt included in obligations subject to settlement under reorganization proceedings	(9,511)	--	--
Repayments of long-term debt and obligations under capitalized leases	(19,323)	(11,826)	(50,871)
Deferral of debt due to reorganization activities	--	--	(3,627,579)
Decrease in preferred stock due to reorganization activities	--	--	(637,315)
Cost of debtor-in-possession financing and short-term borrowings	(4,836)	--	(15,000)

Other	--	--	1,275
Net cash provided by/(used for) financing activities	(99,570)	54,074	(4,446,060)
CASH FLOW EFFECT OF REORGANIZATION ACTIVITIES:			
Increase in obligations subject to settlement under reorganization proceedings	--	--	5,179,747
Net cash flow effect of reorganization activities	--	--	5,179,747
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	71,144	(81,048)	70,631
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	41,533	122,581	51,950
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 112,677	$ 41,533	$ 122,581

</TABLE>

See notes to consolidated financial statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

SUPPLEMENTAL INFORMATION

Amounts in these statements of cash flows are presented on a cash basis and may differ from those shown in other sections of this report.

Interest paid (excluding interest capitalized during construction) was $16,196,000, $12,428,000 and $199,022,000 in 1994, 1993 and 1992. Income taxes paid and tax refunds received were as follows:

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>	1992 <C>
Income taxes paid	$1,648,000	$ 1,121,000	$ 1,127,000
Income tax refunds received	(132,000)	(117,000)	(3,466,000)
Net income tax payments/(refunds)	$1,516,000	$ 1,004,000	$(2,339,000)

</TABLE>

Preferred Stock increased by $19,649,000 in 1992 through a related charge to the deficiency in net assets.

Additions to property and equipment of $32,793,000, $21,850,000 and $29,993,000 were recorded in 1994, 1993 and 1992 by incurring obligations under capitalized leases. Property held for sale at estimated net realizable value of $19,500,000 was reclassified to Other Receivables in fiscal 1994.

On August 1, 1993 Macy's adopted Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes ("FASB 109"). FASB 109 requires a remeasurement of certain assets and liabilities. Property and equipment and other certain assets were increased by $191,132,000 and $18,176,000, respectively. A deferred tax liability and a Cumulative Effect of an Accounting Change was recorded as the corresponding amount.

In 1993, Macy's assumed approximately $24,451,000 of capitalized leases which were reclassified from the caption Obligations Subject to Settlement Under Reorganization Proceedings to the caption Obligations Under Capitalized Leases.

In 1993, secured debt included in the caption Obligations Subject to Settlement Under Reorganization Proceedings was reduced by $5,969,000 due to third party assumption of such debt. A corresponding rent receivable was reduced.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY IN NET ASSETS
<TABLE>
<CAPTION>

	COMMON SHARES			TREASURY SHARES	
	NUMBER	DOLLARS	DEFICIT	NUMBER	DOLLARS
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance, August 3, 1991................	1,750,000	$ 1,750	$ (750,251)	(115,800)	$(1,158)
Net loss.............................			(1,251,307)		
Preferred dividends..................			(19,305)		
Accretion of redeemable preferred stock....................			(344)		
Treasury shares acquired.............				(17,500)	(175)
Balance, August 1, 1992................	1,750,000	1,750	(2,021,207)	(133,300)	(1,333)
Net loss.............................			(543,901)		
Balance, July 31, 1993.................	1,750,000	1,750	(2,565,108)	(133,300)	(1,333)
Net earnings..........................			20,373		
Balance, July 30, 1994.................	1,750,000	$ 1,750	$(2,544,735)	(133,300)	$(1,333)

</TABLE>

See notes to consolidated financial statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CHAPTER 11 PROCEEDINGS

On January 27, 1992, R. H. Macy & Co., Inc. ("Macy's"), together with nine of its subsidiaries, filed voluntary petitions for reorganization under Chapter 11 ("Chapter 11"), title 11 of the United States Code, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On January 31, 1992, seventy-eight additional subsidiaries each commenced a Chapter 11 case in the Bankruptcy Court. Macy's and its subsidiaries that filed a Chapter 11 case in Bankruptcy Court are herein defined collectively as the "Macy's Debtors" and are currently operating their respective businesses as debtors-in-possession. Two statutory creditor committees have been appointed. The cases of Macy's subsidiaries that filed such petitions are jointly administered with the case of Macy's for procedural purposes only.

The consolidated financial statements of Macy's have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations in the ordinary course of business. As a result of the Chapter 11 cases and circumstances relating to this event, including Macy's leveraged debt structure, recurring losses, and economic conditions, the realization of assets and liquidation of liabilities are subject to significant uncertainty. Additionally, the amounts reported in the consolidated statement of financial condition at July 30, 1994 could materially change in the future because of the plan of reorganization, since such reported amounts do not give effect to adjustments to the carrying value of the underlying assets or amounts of liabilities that may ultimately result.

Generally, actions to enforce or otherwise effect the payment of pre-petition liabilities are stayed while the Macy's Debtors are under the protection of the Bankruptcy Code. These liabilities will be resolved as part of the reorganization proceedings. Additional liabilities subject to similar resolution may arise as a result of claims filed by parties related to the rejection of any executory contracts, including unexpired leases, and from the Bankruptcy Court's allowance for contingent and other disputed claims (see Note 8).

Substantially all of Macy's pre-petition short and long-term debt at July 30, 1994 is in default of the terms of the applicable loan agreements and is subject to settlement under the reorganization process. For financial reporting purposes, these liabilities (which are dependent upon the outcome of the Chapter 11 process) have been segregated and reclassified as Obligations Subject to Settlement Under Reorganization Proceedings. Payment of certain pre-petition liabilities that have been approved for payment by the Bankruptcy Court or were pending approval have been included in the appropriate liability captions.

2. PROPOSED JOINT PLAN OF REORGANIZATION: MERGER WITH FEDERATED DEPARTMENT

STORES, INC.

On July 14, 1994, the respective Boards of Directors of Macy's and Federated Department Stores, Inc. ("Federated") announced that they had reached an agreement in principle on a merger which would be effected as part of a joint plan of reorganization of the Macy's Debtors. (Federated's wholly-owned subsidiary, Federated Noteholding Corporation ("FNC"), is one of the largest secured creditors of the Macy's Debtors.) On July 29, 1994, the Macy's Debtors and Federated (collectively, the "Plan Proponents") filed a Joint Plan of Reorganization of R. H. Macy & Co., Inc. and Certain of its Subsidiaries in the Bankruptcy Court, and, on August 31, 1994, the Plan Proponents filed an Amended Joint Plan of Reorganization of R. H. Macy & Co., Inc. and Certain of its Subsidiaries in the Bankruptcy Court (as so amended, the "Plan"). In addition, Macy's and Federated executed and delivered an Agreement and Plan of Merger, dated as of August 16, 1994 (the "Merger Agreement"),

2. PROPOSED JOINT PLAN OF REORGANIZATION: MERGER WITH FEDERATED DEPARTMENT STORES, INC.-- (CONTINUED)

providing for the merger of Federated with and into Macy's (the "Merger"), with Macy's being the surviving corporation (the "Combined Company") and being renamed "Federated Department Stores, Inc." upon the consummation of the Merger. The execution and delivery of the Merger Agreement and certain provisions thereof were approved by the Bankruptcy Court on September 8, 1994.

A principal element of the Plan is the Merger. Macy's and Federated presently intend to seek to cause the effective time of the Merger (the "Effective Time of the Merger"), the date on which the Plan becomes effective (the "Effective Date of the Plan") and substantial consummation of the Plan to occur in December 1994. The Effective Time of the Merger and the Effective Date of the Plan will occur simultaneously. After consummation of the Merger, the Combined Company will operate the existing businesses of Macy's and Federated. The directors and officers of Federated immediately before the Merger will be directors and officers of the Combined Company immediately after the Merger. Consistent with the structure of the Merger Agreement, the transaction is to be accounted for as a reverse acquisition in which Federated is the acquirer for accounting purposes.

In addition to the Merger, the Plan provides for, among other things: (i) the cancellation of all existing capital stock and other equity interests of Macy's without payment of any consideration thereof; (ii) the cancellation of certain indebtedness and the discharge of related claims against the Macy's Debtors in exchange for cash, new indebtedness of the Combined Company and certain of its subsidiaries, or new equity interests of the Combined Company; (iii) the discharge of other prepetition claims against the Macy's Debtors; (iv) the settlement of certain contingent claims and releases of certain claims of the Macy's Debtors and other persons or entities; (v) the assumption, assumption and assignment, or rejection of each executory contract and unexpired lease to which any Macy's Debtor is a party; and (vi) the ability to enter into certain restructuring transactions which will be designed to, among other things, transfer to the Combined Company various centralized support functions. The Plan provides for (a) the distribution of cash to third parties other than Federated and its subsidiaries ("Third Parties") of approximately $.4 billion, (b) the issuance, reinstatement, or assumption of indebtedness to Third Parties of approximately $1.9 billion, and (c) the issuance to Third Parties of common stock, par value $0.01 per share, of the Combined Company ("New Combined Company Common Stock") and warrants to purchase shares of New Combined Company Common Stock ("New Warrants") with an assumed aggregate value, solely for purposes of developing the Plan, of approximately $1.2 billion. There can be no assurance, however, that the New Combined Company Common Stock will have the value assumed for purposes of developing the Plan. The assumed value of the New Combined Company Common Stock and the New Warrants does not purport to represent an estimate of the actual market value of the New Combined Company Common Stock or the value of the New Warrants and is unaudited.

The Plan provides that the Combined Company, at its sole option, may: (i) increase the amount of cash to be distributed to certain holders of claims against the Macy's Debtors and make corresponding reductions in the respective amounts of new debt securities or New Combined Company Common Stock to be distributed to such claimholders, or (ii) increase the aggregate principal amount of certain unsecured notes to be distributed pursuant to the Plan, in exchange for a corresponding reduction in the aggregate principal amount of certain other unsecured notes, so long as doing so would not cause the aggregate principal amount of either series of such notes to be less than a certain amount. In this regard, Federated has advised Macy's that it is seeking to arrange $2.8 billion in bank credit facilities for the

2. PROPOSED JOINT PLAN OF REORGANIZATION: MERGER WITH FEDERATED DEPARTMENT STORES, INC.-- (CONTINUED)

Combined Company (the "New Bank Facilities"), approximately $1.7 billion of the net proceeds of which Federated has advised Macy's it intends to apply to effect the foregoing transactions and certain other refinancing transactions involving other aspects of Federated's business. The consummation of the Merger Agreement and the other transactions contemplated by the Plan are not, however, conditioned upon the New Bank Facilities being available to the Combined Company.

Elements of the Plan with respect to certain creditor groups are as follows:

<TABLE>
<CAPTION>

TYPE OF CLAIM	PROPOSED CONSIDERATION
<S>	<C>
Secured and unsecured claims of The Prudential Insurance Company of America ("Prudential") and FNC under the Prudential Financing and certain other mortgage loans	Prudential will receive (i) approximately $6 million in cash and (ii) approximately $551 million aggregate principal amount of new secured mortgage notes FNC will receive (i) approximately $6 million in cash and (ii) New Combined Company Common Stock with an assumed value of approximately $551 million
Secured and unsecured claims of Macy's "Working Capital Bank Group" lenders under Pre-Petition Bank Credit Arrangements	(i) approximately $24 million in cash, (ii) approximately $495 million aggregate principal amount of indebtedness, and (iii) New Combined Company Common Stock with an assumed value of approximately $379 million
Secured and unsecured claims of financial institutions under the "Swiss Financing"	(i) approximately $14 million in cash, (ii) approximately $321 million aggregate principal amount of indebtedness, and (iii) New Combined Company Common Stock with an assumed value of approximately $247 million
Secured and unsecured claims under the "Ten Store Financing"	(i) approximately $119 million principal amount of indebtedness, and (ii) New Combined Company Common Stock with an assumed value of approximately $91 million
Liquidated damages claims of "Swiss Financing" Swap Breakage Claim	(i) approximately $1 million in cash, (ii) approximately $28 million aggregate principal amount of indebtedness, and (iii) New Combined Company Common Stock with an assumed value of approximately $21 million
Secured and unsecured claims under the "Warehouse Financing"	Approximately $54 million aggregate principal amount of new secured mortgage notes
Unsecured claims under or evidenced by Senior Subordinated Debentures*	Pro rata shares of (i) approximately $35 million in cash, (ii) New Combined Company Common Stock with an assumed value of approximately $172 million, and (iii) New Warrants with an assumed value of approximately $80 million

</TABLE>

TYPE OF CLAIM	PROPOSED CONSIDERATION
Unsecured claims under or evidenced by Subordinated Debentures, due 2001*	Pro rata shares of (i) New Combined Company Common Stock with an assumed value of approximately $110 million and (ii) New Warrants with an assumed value of approximately $59 million
Unsecured claims under or evidenced by Junior Subordinated Discount Debentures*	Pro rata shares of New Combined Company Common Stock with an assumed value of approximately $77 million
General unsecured claims (generally includes trade and vendor payables, litigation claims, and claims arising from the rejection of contracts and leases, but excludes the convenience class of unsecured claims of $1,000 or less)	(i) cash equal to 25.0% of the allowed amount of the claim and (ii) a pro rata share of New Combined Company Common Stock with an assumed value of approximately $50 million based on the aggregate amount of claims ultimately allowed in the classes of claims included in this class
General unsecured claims of $1,000 or less (generally includes claims of the type described immediately above that are either $1,000 or less individually or that the holder of such claims elects to reduce to $1,000 in the aggregate)	Cash equal to the allowed amount of the claim
Common and preferred stock and options	To be canceled without any distributions

For a description of certain creditors and pre-petition financing arrangements, see Notes 8 and 9.

* The Proposed Consideration column includes an amount for debentures held by Macy's Financial, Inc., a wholly-owned subsidiary of Macy's.

The Plan will not become effective unless it is first confirmed by the Bankruptcy Court. Furthermore, there are a number of procedural and substantive requirements to such effectiveness under the Bankruptcy Code, and certain other conditions set forth in the Plan, which are described below, that must be satisfied for the Plan to be confirmed. Among others, the Plan becoming effective is conditioned upon the satisfaction or waiver of the following conditions: (i) the aggregate amounts of specified categories of claims against the Macy's Debtors, including certain cash payment claims, having been estimated or determined by Bankruptcy Court orders (to the extent the Bankruptcy Court has jurisdiction) that are not subject to any stay in amounts that do not exceed the Macy's Debtors' estimated aggregate amounts for each such category of claims used in connection with the development of the Plan (which condition has been waived by Federated); (ii) the order of the Bankruptcy Court confirming the Plan (the "Confirmation Order") being reasonably acceptable in form and substance to each of Federated and Macy's; (iii) the date of the confirmation of the Plan (the "Confirmation Date") having occurred no later than January 31, 1995; and (iv) the New Combined Company Common Stock being authorized for listing on the New York Stock Exchange, Inc. (the "NYSE") upon official notice of issuance or accepted for quotation through the National Association of Securities Dealers Automated Quotation System-National Market System ("NASDAQ"). Additionally, there are certain other

2. PROPOSED JOINT PLAN OF REORGANIZATION: MERGER WITH FEDERATED DEPARTMENT STORES, INC.-- (CONTINUED)

conditions that must be satisfied for the Plan to be confirmed. There can be no assurance that these conditions will be satisfied.

The obligations of Federated and Macy's to consummate the Merger are conditioned upon, among other things: (i) the absence of any pending injunction, order, or decree of any governmental authority restraining the Merger of the consummation of the transactions contemplated by the Plan; (ii) the absence of any law promulgated or enacted restraining the Merger or the transactions contemplated by the Plan; (iii) all consents and approvals of any governmental authority to the Merger having been obtained and remaining in effect at the Effective Time of the Merger, other than any that if not obtained would not have a material adverse effect on the business, financial condition, or results of operations of the Combined Company and its subsidiaries, or any antitrust authorizations not obtained as a result of Federated's failure to divest, hold separate, or take other action (or its failure to agree to do any thereof) with respect to its or the Combined Company's assets to the extent required by the Merger Agreement; (iv) all other consents, approvals, and authorizations required to be obtained by either party having been obtained and remaining in effect at the Effective Time of the Merger, other than any that, if not obtained, would not have a material adverse effect on the business, financial condition, or results of operations of the Combined Company and its subsidiaries, or any consents and approvals of Federated's institutional lenders; (v) the adoption by Federated's stockholders of the Merger Agreement; (vi) a registration statement under the Securities Act of 1933, as amended for the shares of New Combined Company Common Stock to be issuable in connection with the Merger having been declared effective by the Securities and Exchange Commission and not subject to any stop order or proceeding seeking the same; (vii) the shares of the New Combined Company Common Stock having been authorized for listing on the NYSE upon official notice of issuance or accepted for quotation through the NASDAQ; and (viii) the Bankruptcy Court having entered an order confirming the Plan, at least 10 days having passed since entry of such order and it not having been subject to any stay, and all conditions to the Effective Date of the Plan having been satisfied or duly waived.

Federated's obligations under the Merger Agreement are further subject to satisfaction or written waiver at or prior to the Effective Time of the Merger of the following conditions: (i) Macy's having performed in all material respects the covenants and agreements contained in the Merger Agreement required to be performed by it; (ii) all representations and warranties made by Macy's in the Merger Agreement being true and correct in all material respects; (iii) no material adverse change having occurred in the per share price of the Federated Common Stock following the adoption of the Merger Agreement by Federated's stockholders; (iv) all of the consents to the Merger of Federated's institutional lenders having been obtained by August 31, 1994 (which condition has been waived); and (v) since the date of the Merger Agreement no material adverse change having occurred in the business, financial condition, or results of operations of Macy's and its subsidiaries, taken as a whole.

Macy's obligations under the Merger Agreement are further subject to the satisfaction or written waiver at or prior to the Effective Time of the Merger of the following conditions: (i) Federated having performed in all material respects the covenants and agreements contained in the Merger Agreement required to be performed by it; (ii) all representations and warranties made be Federated in the Merger Agreement being true and correct in all material respects; (iii) since the date of the Merger Agreement, no material adverse change having occurred in the business, financial condition, or results of operations of Federated and its subsidiaries, taken as whole.

2. PROPOSED JOINT PLAN OF REORGANIZATION: MERGER WITH FEDERATED DEPARTMENT STORES, INC.-- (CONTINUED)

In addition, the Merger Agreement may be terminated prior to the Effective Time of the Merger under certain circumstances. If the Merger Agreement is terminated because either party refuses to consummate the Merger in breach of the Merger Agreement, then the breaching party will be obligated to pay to the nonbreaching party (provided that it is not also in material breach), within five business days of the effective date of such termination, a cash fee of $80.0 million, which is in addition to any other rights, remedies, or damages the nonbreaching party may have. If the Merger Agreement is terminated because Macy's has accepted a competing offer, then Macy's will be obligated to pay Federated, within five business days of the effective date of such termination, a cash fee of $80.0 million as liquidated damages in lieu of any other payments. If the Merger Agreement is terminated under certain other specified circumstances involving the failure of the creditors of the Macy's Debtors to accept the Plan and the consummation by Macy's of a transaction with a party that has made a competing offer outstanding prior to such termination, Macy's will be required to pay to Federated, within five business days of such consummation, a cash fee of $80.0 million as liquidated damages in lieu of any other payments, except that no such fee will be payable if Federated's stockholders have failed to adopt the Merger Agreement or, if at the time of the termination of the Merger Agreement, Federated is in material breach of the Merger Agreement.

At the conclusion of a hearing held on September 29, 1994 to consider approval of the Disclosure Statement required pursuant to the Bankruptcy Code, the Bankruptcy Court ruled that, subject to certain modifications that are to be made to the Disclosure Statement, an order would be signed approving the statement.

3. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

On July 15, 1986, the registrant and certain of its subsidiaries acquired R. H. Macy & Co., Inc., a New York corporation ("Former Macy's"), in a leveraged buyout (the "Acquisition") through a merger of Macy Merger Corp. ("Merger Corp."), a direct and indirect subsidiary of Macy's, with and into Former Macy's. Macy's and certain of its subsidiaries, including Merger Corp., were formed to effect the Acquisition. Macy's is owned by a group of current and former management employees and other investors.

On May 3, 1988, Macy's acquired the I. Magnin and Bullock's/Bullocks Wilshire divisions (the "New Divisions") of Federated. On that date, but prior to the acquisition by Macy's, Federated transferred the assets of the New Divisions to Bullock's Inc., Bullocks-Wilshire, Inc., Bullock's Specialty Stores, Inc., and I. Magnin, Inc. These subsidiaries then became wholly-owned subsidiaries of Macy's.

PRINCIPLES OF CONSOLIDATION

The accounts of all majority-owned subsidiaries are included in the consolidated financial statements and all intercompany balances and transactions are eliminated.

CASH AND CASH EQUIVALENTS

Macy's considers all short-term investments with an original or purchased maturity of three months or less as cash equivalents.

3. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

RESTRICTED CASH

Macy's has classified as restricted, certain cash and cash equivalents that are not fully available for use in operations. These cash and cash equivalents are primarily related to the Chapter 11 proceedings.

MERCHANDISE INVENTORIES

The value of merchandise inventories is determined by the lower of LIFO (last-in, first-out) cost using the retail inventory method or market for about 75% of the total inventory, and the lower of FIFO (first-in, first-out) cost using the retail inventory method or market for the balance of the inventory, principally women's ready-to-wear and electronics.

Macy's includes in inventory the capitalization of certain indirect purchasing, merchandise handling, and inventory storage costs to better match sales with these related costs.

PRE-OPENING EXPENSES

Costs of opening new stores are expensed as incurred.

INCOME TAXES

Effective August 1, 1993, Macy's adopted Statement of Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" ("FASB 109"). Previously, income taxes were accounted for in accordance with Accounting Principles Board Opinion No. 11. Under the asset and liability method prescribed by FASB 109, deferred income taxes are provided for the tax effects of temporary differences between the financial reporting bases and the tax bases of assets and liabilities and are measured based upon currently enacted tax laws or rates. The cumulative effect of adopting FASB 109 at August 1, 1993 resulted in an increase to net income of $185,340,000 (see Note 18).

INTANGIBLE ASSETS

Intangible assets, which are included in other assets, are amortized on a straight-line basis over the lives of the assets as follows:

<TABLE>
<CAPTION>

<S>	YEARS <C>
Customer lists	4-8
Macy's product development	20

</TABLE>

PROPERTY AND EQUIPMENT

Depreciation is computed on a straight-line basis over the shorter of estimated useful lives or lease terms. Capitalized leases and leasehold values are amortized over the respective lease terms.

DEFERRED DEBT EXPENSE

Deferred debt expense is amortized over the life of the related debt.

EARNINGS/(LOSS) PER SHARE OF COMMON STOCK

Earnings/(loss) per share of common stock attributable to common stockholders (after dividends and accretion on the Convertible Preferred Stock (redeemable)) is computed based upon the weighted average number of shares outstanding during the period. Fully diluted income per share is computed by dividing net income by the weighted average number of shares outstanding during the period assuming

3. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

the conversion of Convertible Preferred Stock (redeemable) into Common Stock. Such assumed conversion was antidilutive in fiscal years 1993 and 1992.

SINGLE BUSINESS SEGMENT

Macy's operates a retail department store business through 122 department stores in three regional store groups and operates certain specialty and close-out center stores. Because of the similarity of the nature of its merchandise business, Macy's considers itself to be a single business segment.

OTHER POSTRETIREMENT BENEFITS

Statement of Financial Accounting Standards Board Statement No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" ("FASB 106"), was adopted on August 1, 1993. This statement requires that employers record the expected cost of postretirement benefits other than pensions during the employees' active years of service. As of August 1, 1993, the accumulated postretirement obligation was approximately $204,000,000. The registrant is recording this obligation through amortization over a 20-year period. The incremental non-cash expense associated with the adoption of FASB 106 for the year ended July 30, 1994 was $20,681,000, including the amortization of the accumulated postretirement obligation of $10,195,000 (see Note 19).

CHANGE IN FISCAL YEAR

Macy's changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31 effective for the year beginning July 31, 1994.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform with classifications used in the current year.

4. MERCHANDISE INVENTORIES

If inventories had been valued at the lower of FIFO cost or market, inventories would have increased by $119,235,000 and $102,563,000 at July 30, 1994 and July 31, 1993, respectively.

5. INTANGIBLE ASSETS

Intangible assets are included in other assets as follows:

	JULY 30, 1994	JULY 31, 1993
Customer lists	$11,295,000	$135,409,000
Macy's product development	43,928,000	38,223,000
	55,223,000	173,632,000
Less: accumulated amortization	25,812,000	130,449,000
	$29,411,000	$ 43,183,000

Fully amortized intangible assets were offset against the related accumulated amortization.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	JULY 30, 1994	JULY 31, 1993
Merchandise, expenses, and construction accounts payable	$657,410,000	$686,677,000
Accrued interest	399,000	606,000
Accrued taxes, other than income taxes	74,944,000	81,851,000
Accrued wages	20,667,000	26,049,000
Customers' deposits and miscellaneous	87,747,000	79,309,000
	$841,167,000	$874,492,000

7. SHORT-TERM BORROWINGS

POST-PETITION FINANCING (SEE ALSO NOTE 9)

Pursuant to orders of the Bankruptcy Court entered on January 29, 1992 and February 13, 1992, the registrant obtained a debtor-in-possession financing arrangement under a Revolving Credit and Guaranty Agreement dated as of January 27, 1992 (as subsequently amended through March 31, 1993, the "Post-Petition Credit Agreement"), among Macy's, as Borrower, each of the other Macy's Debtors, as guarantors, Chemical Bank, as administrative agent, and Bankers Trust Company, as co-agent, and other financial institutions to become parties thereto. The Post-Petition Credit Agreement established a working capital facility consisting of revolving credit loans and letters of credit in the aggregate maximum amount of $600,000,000, inclusive of a sub-limit of $250,000,000 for standby and documentary letters of credit of which no more than $30,000,000 could be used for standby letters of credit. The Post-Petition Credit Agreement was scheduled to terminate pursuant to its original terms upon the earlier of (i) February 28, 1994 or (ii) substantial consummation of a plan of reorganization of Macy's or certain of its subsidiaries. Borrowings under the working capital facility may be used to fund working capital, inventory purchases, capital expenditures, and for other general corporate purposes of the Macy's Debtors. The Post-Petition Credit Agreement includes restrictions on capital expenditures and certain other payments, as well as covenants relating to EBITDA (earnings before interest, taxes, depreciation, and amortization as defined within the Post-Petition Credit Agreement).

On August 12, 1993 the Post-Petition Credit Agreement was amended and restated on similar terms pursuant to an Amended and Restated Credit and Guaranty Agreement, among Macy's, as Borrower, the Macy's Debtors, as guarantors, Chemical Bank, as administrative agent, Bankers Trust Company, as co-agent, and other financial institutions party thereto (the "Amended and Restated Post-Petition Credit Agreement"), which agreement was approved by a Bankruptcy Court order dated September 8, 1993. Under the Amended and Restated Post-Petition Credit Agreement, Macy's working capital facility (the "Working Capital Facility") consisting of revolving credit loans and letters of credit was reduced from a maximum of $600,000,000 to $550,000,000, inclusive of a sublimit of $250,000,000 for standby and documentary letters of credit of which no more than $30,000,000 may be used for standby letters of credit. In August 1994, Macy's voluntarily reduced the Working Capital Facility to $450,000,000 reflecting its reduced borrowing requirements thereunder. The Amended and Restated Post-Petition Credit Agreement terminates upon the earlier of (i) August 1, 1995 or (ii) the substantial consummation of a plan of reorganization of Macy's or certain of its subsidiaries.

Claims in respect of indebtedness incurred by the Macy's Debtors under the Amended and Restated Post-Petition Credit Agreement are afforded superpriority administrative expense claim status pursuant to applicable provisions of the Bankruptcy Code.

7. SHORT-TERM BORROWINGS--(CONTINUED)

The Amended and Restated Post-Petition Credit Agreement provides that advances made under the Working Capital Facility will bear interest at a rate of 1.5% per annum in excess of Chemical Bank's Alternative Base Rate ("ABR") (which was 7.25% at July 30, 1994), or at Macy's option, at a rate of 2.5% per annum in excess of the reserve adjusted London Interbank Offered Rate ("LIBOR") for interest periods of one, three, or six months (which was 4.50%, 4.875%, or 5.3125%, respectively, at July 30, 1994). Interest on ABR loans and three and six month LIBOR loans are payable quarterly and interest on one month LIBOR loans is payable at maturity.

Under the Amended and Restated Post-Petition Credit Agreement, Macy's is obligated to pay a commitment fee of 1/2 of 1% per annum on the unused portion of the Working Capital Facility, a letter of credit fee, and certain other fees. There were no outstanding revolving credit borrowings and $118,775,000 of letters of credit outstanding under the Working Capital Facility at July 30, 1994. Unamortized deferred debt expense of $2,437,000 was included in the caption "Other Assets" at July 30, 1994. At July 31, 1993 outstanding revolving credit borrowings and letters of credit under the Working Capital Facility were $65,900,000 and $116,905,000, respectively (excluding unamortized deferred debt expense of $3,202,000).

8. OBLIGATIONS SUBJECT TO SETTLEMENT UNDER REORGANIZATION PROCEEDINGS

Obligations of the Macy's Debtors that are expected to be settled as part of a plan of reorganization are separately classified in the Consolidated Statements of Financial Condition as of July 30, 1994 and are as follows:

<TABLE>
<S> <C>

Accounts payable and accrued liabilities..................	$ 701,650,000
Accrued interest on long-term debt........................	480,541,000
Secured debt (Note 9)....................................	2,318,931,000
Unsecured debt (Note 9)..................................	1,265,611,000
Obligations under capitalized leases (Note 20)............	11,032,000
Convertible Preferred Stock (redeemable) (Note 10).........	637,315,000
Other liabilities..	224,730,000

	$5,639,810,000

</TABLE>

Obligations Subject to Settlement Under Reorganization Proceedings include substantially all of Macy's pre-petition short and long-term debt. As discussed in Note 1, payments of these obligations are stayed while the Macy's Debtors continue to operate as debtors-in-possession.

The increase in Obligations Subject to Settlement Under Reorganization Proceedings from July 31, 1993 to July 30, 1994 was primarily due to the accrual of interest expense on certain pre-petition secured debt.

Generally, interest on pre-petition debt does not accrue after the commencement of the Chapter 11 case. If the debts are secured by property with a fair market value that is greater than the amount of the debt, interest may accrue up to the value of the collateral. Through substantially all of fiscal 1994, Macy's accrued interest on its secured debt pending obtaining an estimate of the fair market value of the property securing such debt. Following negotiations with representatives of the various secured lenders and the development of the Plan in July, Macy's revised its estimates for the post-petition accrued interest that would be paid for fiscal 1994 and prior years upon confirmation of the Plan resulting in the secured debt plus post-petition interest through July 30, 1994 equaling the estimated

8. OBLIGATIONS SUBJECT TO SETTLEMENT UNDER REORGANIZATION PROCEEDINGS--(CONTINUED)

amount due for such debt and interest as of such date under the Plan. Accordingly, post-petition interest of $61,250,000 (contractual interest) with respect to fiscal 1994 and $57,460,000 with respect to prior years and relating to the Swiss Financing, the Ten Store Financing, and the Warehouse Financing (see Note 9) was reversed through reductions in interest expense and reorganization items, respectively. Interest expense on certain other pre-petition secured debt continues to be accrued but remains subject to settlement. Such accrual of interest on secured indebtedness is being recorded at the interest rates applicable under the respective loan agreements without regard to default and penalty provisions contained therein (see Note 14).

Macy's has ceased accruing interest expense on its unsecured debt. Contractual interest not recorded on such unsecured debt aggregated $215,233,000, $203,518,000, and $99,442,000 for the fiscal years ended July 30, 1994, July 31, 1993, and August 1, 1992.

Numerous claims have been asserted in respect of various pre-petition obligations, which claims individually or in the aggregate may be material and may not currently be reflected as obligations subject to settlement. The last day on which these claims could be filed against the Macy's Debtors, with certain exceptions, was December 15, 1992, and over 17,000 claims aggregating an amount substantially in excess of the amounts reported in the Consolidated Statements of Financial Condition under the caption Obligations Subject to Settlement Under Reorganization Proceedings were filed by such date. Based on reviews through July 30, 1994, Macy's believes that a number of these claims are duplicative of and/or supersede claims previously asserted. In addition, claims have been filed which do not state a specific claim amount or as to which a specific claim amount is not readily determinable. Pursuant to Bankruptcy Court orders entered in 1993 and 1994, certain exact duplicate claims and late claims were expunged. Claims will continue to be reviewed and analyzed by Macy's as part of the claims reconciliation process and objections filed as required. As this review process continues, the aggregate amount included in the estimate of pre-petition date obligations subject to settlement may increase or otherwise be adjusted to reflect the ongoing analyses of claims filed and the aggregate amounts which may be allowed in respect thereof. Macy's has received claims relating to termination of various interest rate protection agreements on pre-petition liabilities aggregating approximately $138,000,000. Provisions for $54,115,000 and $83,695,000 were recorded in fiscal 1992 and 1993 and have been included in Obligations Subject to Settlement Under Reorganization Proceedings. In 1994, $33,695,000 of the 1993 provision was reversed based on the comparison of such provision and the amount included in the Plan. This reversal was included as a reduction of Reorganization Items--net in the Consolidated Statements of Operations for fiscal year 1994.

Commencing on the Chapter 11 filing date, Macy's ceased accruing dividends on its Convertible Preferred Stock (redeemable) and has included the Convertible

Preferred Stock (redeemable) and the cumulative accrued but unpaid dividends prior to the filing date on such stock in Obligations Subject to Settlement Under Reorganization Proceedings. Under applicable bankruptcy law, the holders of the Convertible Preferred Stock of the registrant are not considered creditors.

The unsecured debt amount included in Obligations Subject to Settlement Under Reorganization Proceedings does not include $5,000,000 of 14 1/2% Senior Subordinated Debentures, $241,931,000 of 14 1/2% Subordinated Debentures, and $187,769,000 of 16 1/2% Junior Subordinated Discount Debentures purchased in fiscal 1991 by Macy Financial, Inc. ("MFI"), a wholly-owned subsidiary of Macy's and also a debtor-in-possession. The capital stock of MFI, as well as such debentures, were pledged to the pre-petition banks under the pre-petition Macy Bank Agreement (see Note 9).

9. FINANCING ARRANGEMENTS

The financing arrangements consist of the following:

<TABLE>
<CAPTION>

	AS OF JULY 30, 1994			AS OF JULY 31, 1993		
	CARRYING VALUE	LESS UNAMORTIZED DEFERRED DEBT EXPENSE	NET CARRYING VALUE	CARRYING VALUE	LESS UNAMORTIZED DEFERRED DEBT EXPENSE	NET CARRYING VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Post-Petition Financing						
Working Capital Facility (Note 7)....	$ --	$ --	$ --	$ 65,900,000	$ 3,202,000	$ 62,698,000
Pre-Petition Financings						
Secured Debt:						
Macy Revolving Credit Facility......	$ 128,358,000	$ --	$ 128,358,000	$ 128,358,000	$ 3,011,000	$ 125,347,000
Prudential Financing................	802,161,000	16,891,000	785,270,000	811,672,000	20,371,000	791,301,000
Swiss Financing.....................	553,750,000	9,830,000	543,920,000	553,750,000	12,288,000	541,462,000
Ten Store Financing.................	180,761,000	1,683,000	179,078,000	180,761,000	2,201,000	178,560,000
Warehouse Financing.................	53,200,000	1,363,000	51,837,000	53,200,000	1,497,000	51,703,000
Six-Year Term Loan..................	170,000,000	--	170,000,000	170,000,000	--	170,000,000
Purchase Note.......................	401,408,000	--	401,408,000	401,408,000	858,000	400,550,000
Mortgage Notes......................	62,190,000	70,000	62,120,000	62,350,000	98,000	62,252,000
Less imputed interest as a result of the Acquisition.............	(3,060,000)	--	(3,060,000)	(3,292,000)	--	(3,292,000)
Total Pre-Petition Secured Debt..........................	2,348,768,000	29,837,000	2,318,931,000	2,358,207,000	40,324,000	2,317,883,000
Unsecured Debt:						
Senior Subordinated Debentures......	379,000,000	--	379,000,000	379,000,000	--	379,000,000
Subordinated Debentures.............	383,434,000	--	383,434,000	383,434,000	--	383,434,000
Junior Subordinated Discount Debentures........................	503,177,000	--	503,177,000	503,177,000	--	503,177,000
Total Pre-Petition Unsecured Debt..........................	1,265,611,000	--	1,265,611,000	1,265,611,000	--	1,265,611,000
	$3,614,379,000	$29,837,000	$3,584,542,000	$3,623,818,000	$40,324,000	$3,583,494,000

</TABLE>

Prior to the commencement of the Chapter 11 cases, Macy's entered into the following financing arrangements. The descriptions of the following financing arrangements are based on the original contractual terms and maturities. As a result of the commencement of the Chapter 11 cases, Macy's is in default of these financing arrangements and the obligations in respect thereof remain subject to settlement. (See Note 1).

PRE-PETITION BANK CREDIT ARRANGEMENTS

Prior to the commencement of the Chapter 11 cases, Macy's was party to a Bank Credit Agreement which was originally dated as of July 10, 1986 and was amended and restated as of April 27, 1988 (as subsequently amended the "Macy Bank Agreement"). The Macy Bank Agreement established a Macy's revolving working capital line of credit ("Macy Revolving Credit Facility"), a six-year term loan, and an Acquisition Letter of Credit.

MACY REVOLVING CREDIT FACILITY

The Macy Revolving Credit Facility provided a six-year revolving working capital line of credit subject to certain sublimits, not to exceed $587,700,000. Borrowings as of July 30, 1994 and July 31, 1993 were $128,358,000 (excluding unamortized deferred debt expense of $3,011,000 as of July 31,

1993), and are included in Obligations Subject to Settlement Under Reorganization Proceedings. The Macy Revolving Credit Facility was a six-year facility and would have terminated in April 1994. The Macy Revolving Credit Facility bears interest at a rate per annum equal to 1.25% plus the Base Rate (a floating rate of interest publicly announced by Chemical Bank, or, at Macy's option, 2.25% plus the Eurodollar Rate (as defined in the Macy Bank Agreement, which definition gives weight to the Eurodollar Reserve Percentage as therein defined). Interest is computed on the basis of a year of 360 days and is payable monthly in arrears for Base Rate borrowings and at the end of an Interest Period (as defined in the Macy Bank Agreement) for Eurodollar Rate borrowings. The facility was secured by the capital stock of certain of Macy's U.S. subsidiaries, certain receivables, certain tangible personal property (other than inventory) and general intangibles, junior liens on certain Macy's stores, and substantially all of Macy's other real property.

SENIOR REAL ESTATE DEBT

Senior real estate debt includes the following:

a) Prudential Financing

In 1986, Macy's and various subsidiaries of Macy's received $800,000,000 of mortgage financing provided by The Prudential Insurance Company of America ("Prudential Financing"). These loans are, by their terms, nonrecourse participating loans secured by the first or second mortgages on 68 of Macy's department stores; however, under the Bankruptcy Code, by virtue of Macy's Chapter 11 cases, these loans may have become recourse loans. Each of the loans has a term of 15 years and bears interest at a 12% rate (the "Note Rate"). The lender receives semi-annual cash payments equal to the greater of (i) 9% per annum of the loan balance (including accrued interest) for the first three years, stepping up 1% each year thereafter until such rate becomes 12% (in the sixth year), and thereafter remaining at 12% until maturity, or (ii) a percentage in the range of 1.33% to 1.37% of each of the four regional store group subsidiaries' (as of the date of the Acquisition) annual gross retail sales (such greater amount being referred to as the "Pay Rate"). The dollar amount of any excess of the Note Rate over the Pay Rate will be added to the loan balance and will bear interest at the Note Rate (an "Accrual"). In the event that the Pay Rate exceeds the Note Rate, the Pay Rate is capped at 13% of the loan balance (including accrued interest) on a divisional basis (i.e., regional store group subsidiaries). To the extent the Pay Rate exceeds the Note Rate, such excess may be utilized to pay down the Accrual balance with any further excess being paid as additional interest. At maturity, the lender was scheduled to receive additional interest based on a percentage of the increase in real estate value (determined on the basis of retail sales) of the applicable store securing such debt. The accrual of additional interest was recorded and compounded annually as noncash interest until July 1991 (see Note 14).

On December 31, 1993, FNC acquired from the Prudential Insurance Company of America ("Prudential") 50% of certain claims of Prudential against the Macy's Debtors arising under the Prudential Financing in the original principal amount of $800 million and certain other mortgage loans in the aggregate original principal amount of approximately $21 million (such amount is included in Mortgage Notes) (collectively, the "Prudential Claims").

9. FINANCING ARRANGEMENTS--(CONTINUED)

During fiscal 1994, Macy's repaid $9,511,000 of the outstanding balance of the Prudential Financing from the proceeds of two stores closed and sold subsequent to the commencement of the Chapter 11 cases.

b) Swiss Financing

In 1988 and 1989, various subsidiaries of Macy's received approximately $565,000,000 of mortgage financing provided by Swiss Bank Corporation and certain other financial institutions ("Swiss Financing"). These loans are secured by certain real estate owned by such subsidiaries and bear interest at an overall interest rate cost of approximately 10.4%. The repayment of the outstanding principal is due in June 1998.

c) Ten Store Financing

In 1987, various subsidiaries of Macy's received $180,000,000 of proceeds from nonrecourse indebtedness secured by ten stores (the "Ten Store Financing") through the issuance of commercial paper by Macy Special Real Estate Capital Corp. ("Special Real Estate"), a wholly-owned special purpose subsidiary of Macy's. The assets of Special Real Estate will only be available to Macy's after Special Real Estate's obligations to its creditors have been satisfied. Citibank, N.A. issued a letter of credit in support of the commercial paper. The registrant used $55,000,000 of the proceeds to make a prepayment on the amount then outstanding under its former six-year term loan and repurchased certain subordinated indebtedness at an aggregate purchase price of approximately $45,000,000. Macy's entered into fixed rate protection agreements in respect of this indebtedness, the effect of which, together with a related option, provides Macy's with an overall interest rate cost of approximately 10% per annum. The payment of the outstanding principal amount is due in May 1997.

As a result of the commencement of the Chapter 11 cases, Special Real Estate ceased issuing commercial paper. Pursuant to a credit support arrangement entered into in 1987, the outstanding commercial paper was retired through the proceeds of the repurchase by an affiliate of Citibank, N.A. of a participation held by Special Real Estate in the loans evidencing the Ten Store Financing. Additionally, the fixed rate protection agreements were terminated.

d) Warehouse Financing

Concurrently with the sale of accounts and receivables to General Electric Capital Corp. ("GE Capital"), GE Capital made a 15-year loan to three subsidiaries of Macy's in an aggregate principal amount of $44,100,000. This loan bore interest until October 15, 1991 at an annual rate of 10.5%. Commencing June 10, 1992, this loan amortizes ratably over its remaining 14 years. On October 15, 1991, an additional loan of $9,100,000 was made and the annual interest rate changed to 10.44% on the aggregate principal outstanding of $53,200,000. These loans are secured by certain real estate owned by the borrowers and generally are non-recourse except with respect to payment of interest and certain environmental matters, which recourse obligations have been guaranteed by Macy's.

SIX-YEAR TERM LOAN

The six-year term loan bears interest at a rate per annum equal to 1.25% plus the Base Rate or, at Macy's option, 2.25% plus the Eurodollar Rate. Such interest is computed on the basis of a year of 360

9. FINANCING ARRANGEMENTS--(CONTINUED)

days and is payable monthly in arrears for Base Rate borrowings and at the end of an Interest Period (as defined in the Macy Bank Agreement) for Eurodollar Rate borrowings, and is subject to reduction based on terms and conditions set forth in the Macy Bank Agreement. The principal was payable in semi-annual installments.

The six-year term loan is secured by the capital stock of certain of Macy's

U.S. subsidiaries, certain receivables, certain tangible personal property (other than inventory) and general intangibles, junior liens on certain Macy's stores, and substantially all of Macy's other real property.

The Macy Bank Agreement gave the banks the option under certain circumstances to require the termination of Macy's overfunded pension plan upon an event of default in respect of specific operating ratios and cash flow coverage requirements. As a result of the Chapter 11 filings, Macy's is in default of the Macy Bank Agreement and the banks' remedies under these agreements are stayed.

PURCHASE NOTE

As part of the consideration paid for the acquisition of the New Divisions, Macy's issued a $400,000,000 Note to Federated which was assigned to a third party. The Note was due and payable in three equal installments beginning May 3, 1997. The Note bore interest at a rate per annum equal to the three month LIBOR Rate plus .5% or at the Alternative LIBOR Rate (both defined in the Note). Interest is computed on the basis of a year of 360 days and is payable quarterly in arrears. As part of the Macy Bank Agreement, an Acquisition Letter of Credit was issued in support of the Note for a period of six years. Additionally, Macy's entered into fixed rate protection agreements in respect of the indebtedness under the Note, the effect of which, together with the cost of the Letter of Credit, would provide Macy's with an annual overall interest rate cost of 12.65%.

As a result of the commencement of the Chapter 11 cases, the Acquisition Letter of Credit was drawn for the beneficiary thereof in the amount of $400,000,000 plus accrued interest in satisfaction of the Purchase Note. Pursuant to the terms of the Macy Bank Agreement, Macy's is obligated to reimburse the lenders who funded the Acquisition Letters of Credit. Additionally, the fixed rate protection agreements were terminated as a result of the commencement of the Chapter 11 case.

At July 30, 1994, Macy's is currently recording interest at an annual rate of 7.25% on the obligations under the Macy Bank Agreement.

SENIOR SUBORDINATED DEBENTURES

The senior subordinated debentures bore interest at 14.5% per annum, payable semi-annually, and mature on October 15, 1998. Such debentures are redeemable at Macy's option on or after October 15, 1991, initially at 107.5% of their principal amount, declining to 100% on or after October 15, 1996, and will be entitled to the benefit of a sinking fund beginning October 15, 1994, in annual installments of $80,000,000, calculated to retire 80% of their principal amount prior to maturity.

In 1991, Macy's or a subsidiary repurchased $5,000,000 principal amount of senior subordinated debentures from a portion of the proceeds received in the issuance of additional Convertible Preferred Stock. In 1988, Macy's repurchased $16,000,000 principal amount of senior subordinated debentures from a portion of the proceeds of the Ten Store Financing.

9. FINANCING ARRANGEMENTS--(CONTINUED)

As a result of the commencement of the Chapter 11 cases, Macy's has ceased accruing interest expense on its unsecured debt. Therefore, interest expense on the senior subordinated debentures has not been accrued after January 27, 1992.

SUBORDINATED DEBENTURES

The subordinated debentures bore interest at 14.5% per annum, payable semi-annually, and mature on November 15, 2001. Such debentures are redeemable at Macy's option on or after November 15, 1991, initially at 105% of their principal amount, declining to 100% on or after November 15, 1993, and will be entitled to the benefits of a sinking fund in annual installments of $130,000,000 beginning November 15, 1997, calculated to retire 80% of their principal amount prior to maturity.

In 1991, Macy's or a subsidiary repurchased $247,431,000 principal amount of subordinated debentures from a portion of the proceeds received in the issuance of additional Convertible Preferred Stock. In 1988, Macy's repurchased

$19,135,000 principal amount of subordinated debentures from a portion of the proceeds of the Ten Store Financing.

As a result of the commencement of the Chapter 11 cases, Macy's has ceased accruing interest expense on its unsecured debt. Therefore, interest expense on the subordinated debentures has not been accrued after January 27, 1992.

JUNIOR SUBORDINATED DISCOUNT DEBENTURES

Macy's issued $910,150,000 principal amount of junior subordinated discount debentures maturing on November 15, 2006 for proceeds of $300,003,000. Such debentures bear no interest for the first seven years and bear interest at 16.5% payable semi-annually commencing November 15, 1993. The discount rate for these debentures has been assumed to provide a yield to maturity of approximately 16.5% on a semi-annual basis. Such debentures are entitled to the benefits of a sinking fund beginning November 15, 2002, in annual installments of $182,030,000, calculated to retire 80% of the issue prior to maturity. These debentures are redeemable at Macy's option at any time at 100% of their principal amount.

In 1991, Macy's or a subsidiary repurchased $253,822,000 face amount ($170,814,000 accreted value) of junior subordinated discount debentures from a portion of the proceeds received in the issuance of additional Convertible Preferred Stock. In 1988, Macy's repurchased $21,900,000 face amount of junior subordinated discount debentures from a portion of the proceeds of the Ten Store Financing.

As a result of the commencement of the Chapter 11 cases, Macy's has ceased accruing interest expense on its unsecured debt. Therefore, interest expense on the junior subordinated discount debentures has not been accrued after January 27, 1992.

MORTGAGE NOTES

The average rate of interest approximated 8.6% and 8.8% (ranging from 4.7% to 12.0%) for 1994 and 1993.

9. FINANCING ARRANGEMENTS--(CONTINUED)

The net book value of the property subject to mortgages amounted to approximately $2,102,390,000 at July 30, 1994. Such net book value may not reflect the fair market value of such property.

* * *

Substantially all assets, other than cash and inventory, are pledged as collateral at July 30, 1994.

INTEREST RATE PROTECTION ARRANGEMENTS

Prior to the Petition Dates, Macy's had entered into interest rate swap and cap arrangements in the management of interest rate exposure. In 1992, the differential to be paid or received was accrued as an interest rate charge and was recognized as an adjustment to interest expense. All interest rate protection arrangements were terminated at the commencement of the Chapter 11 cases as a result of the default provisions under the loan arrangements.

10. PREFERRED STOCK

Macy's certificate of incorporation provides for 25 million authorized shares of Preferred Stock, par value $1.00 per share, of which nine million shares constitutes Convertible Participating Preferred Stock (redeemable) ("Series I Preferred Stock"), one million shares constitutes Convertible Participating Preferred Stock Series II (redeemable) ("Series II Preferred Stock"), and seven million shares constitutes Convertible Participating Preferred Stock Series III (redeemable) ("Series III Preferred Stock"). (Series I Preferred Stock, Series II Preferred Stock, and Series III Preferred Stock are collectively referred to in these notes as "Preferred Stock" and in the consolidated financial statements as "Preferred Stock").

The certificate of incorporation authorizes the Board of Directors to fix the conditions and terms of shares of Preferred Stock prior to their issuance.

On July 15, 1986, Macy's sold 7,494,465 shares of Series I Preferred Stock with a Base Liquidation Preference of $39.62 per share. Between August 1990 and February 1991, Macy's sold 211,506 shares of Series II Preferred Stock with a Base Liquidation Preference of $159.05 per share and, between December 1990 and April 1991, 5,298,330 shares of Series III Preferred Stock with a Base Liquidation Preference of $31.81 per share. All sales of Preferred Stock have been made in private placements.

The right to convert Preferred Stock at the option of the holder into Common Stock on a one-to-one basis began on July 15, 1988 and ended for the Series I Preferred Stock and Series II Preferred Stock on July 15, 1993; such conversion right with respect to the Series III Preferred Stock continues until December 18, 1997. No preferred shares have been converted into Common Stock. The Preferred Stock is redeemable at the option of Macy's after the end of applicable optional conversion period ("Conversion Expiration Date") at various percentages of the Base Liquidation Preference of the particular series until mandatory redemption on the thirteenth anniversary of the Conversion Expiration Date.

10. PREFERRED STOCK--(CONTINUED)

The difference between the carrying value of certain of the Preferred Stock Series I at date of issue and the mandatory redemption value was recorded through periodic accretions using the interest method until the commencement of the Chapter 11 case. The related charge flowed through the deficiency in net assets.

Except for special class voting rights of the Preferred Stock, each share of Preferred Stock entitles the holder thereof to one vote on all matters whatsoever which may be the subject of proper action by stockholders of Macy's together with the holders of Common Stock voting as a single class, subject to the terms of the Non-Management Stockholders' Agreement dated as of July 15, 1986, as amended, and of the Voting Trust Agreement dated as of July 15, 1986 in respect of certain Common Stock.

Cumulative quarterly dividends (the "Preferred Dividend") were provided for at an annual dividend rate of 8% of the Base Liquidation Preference for the particular series involved, as and when declared by the Board of Directors; and also, a dividend (the "Participating Dividend"), participating pari passu with the Common Stock in the payment of Common Stock dividends in an amount equal to the product of (i) 25% multiplied by a fraction, the numerator of which is the number of shares of Preferred Stock then outstanding and the denominator of which is the number of shares of Preferred Stock outstanding at July 15, 1986, multiplied by (ii) the aggregate amount declared available for dividends on the Common Stock and Preferred Stock after payment of the Preferred Dividend. It is provided that Macy's may not pay dividends to the Common stockholders, unless all accrued Preferred Dividends have been paid or declared and provided for.

Any unpaid accrued Preferred and Participating Dividends are forfeitable upon conversion of Preferred Stock. The holders of Preferred Stock are subject to a Non-Management Stockholders' Agreement dated as of July 15, 1986, as amended, which affects the exercise of various rights, including the voting and transferability of Preferred Stock and the Common Stock into which such Preferred Stock is convertible.

Commencing on the Chapter 11 filing date, Macy's ceased accruing dividends on its Preferred Stock (redeemable) and has included the Preferred Stock (redeemable) and the cumulative accrued but unpaid dividends prior to the filing date on such stock in Obligations Subject to Settlement Under Reorganization Proceedings. For purposes of the Bankruptcy Code, the holders of the Preferred Stock of Macy's are not considered creditors. The Plan provides for cancellation of all existing capital stock and other equity interests of Macy's without payment of any consideration therefor.

11. COMMON STOCK

On July 15, 1986, Macy's sold 1,750,000 shares of its Common Stock for either cash and/or the exchange of common shares of Former Macy's. In connection with their purchase of Common Stock, each purchaser of Common Stock entered into a Common Stock Subscription Agreement or a like agreement which contained certain transfer restrictions until the end of such agreements on July 15, 1996 or earlier under certain circumstances and, also, provisions regarding such stockholder's rights and/or obligations to sell the Common Stock back to Macy's or its designee upon termination of such stockholder's employment with Macy's or its affiliates (until July 15, 1993, generally in the Common Stock Subscription Agreements and until July 15, 1996 in "Stock Purchase, Agency and Restriction

11. COMMON STOCK--(CONTINUED)

Agreements"). The holders of such Common Stock also entered into a Voting Trust Agreement dated as of July 15, 1986 pursuant to which a ten-year voting trust was established.

Dividends on Common Stock are provided for, as and when declared by the Board of Directors subject to the payment of the Preferred Dividends (see Note 10) and the restrictions as to the payment of dividends included in certain of the debt agreements. No dividends have been declared on Macy's Common Stock.

The Plan provides for cancellation of all existing capital stock and other equity interests of Macy's without any payment of consideration therefor.

12. 1987 KEY EXECUTIVE STOCK INCENTIVE PROGRAM

On June 15, 1987, the Board of Directors approved the 1987 Key Executive Stock Incentive Program (the "1987 Program"). In view of Macy's Chapter 11 case, the 1987 Program, which is described below, has become inactive. The 1987 Program consists of (i) the 1987 Participation Stock Option Plan, which provides for the grant of stock options not intended to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended ("PSOs"), and (ii) the 1987 Stock Award Plan, which provides for awards of Common Stock ("Awards"). PSOs, unless determined otherwise, are exercisable in certain specified installments and for a period of seven years; the exercise price of each share granted under a PSO is determined at the date of grant. Awards may or may not be subject to certain terms, conditions, and restrictions and/or a purchase price. The maximum number of shares of Common Stock subject to the 1987 Program is the number of Reserved Management Shares (i.e., 92,105 unissued shares) plus such shares as shall be acquired by Macy's from employees or former employees or their permitted transferees pursuant to rights or obligations of Macy's under Common Stock subscription agreements or like agreements. The 1987 Program is designed to subject all Common Stock issued under its Plans (a) to the rights and restrictions on the Common Stock of Macy's currently operative as to holdings of existing Management Investors in July 1986 and (b) to the required inclusion of all Common Stock under the Voting Trust Agreement.

For the years ended July 30, 1994 and July 31, 1993, the number of shares subject to options that were outstanding were 187,525. Stock options were held by 196 individuals at July 30, 1994. The exercise price for all shares under option is $20 per share. The Plan provides for cancellation of all existing capital stock and other equity interests of Macy's without payment of any consideration therefor.

13. NET RETAIL SALES

Net retail sales include sales from licensed departments of $65,136,000, $67,004,000, and $83,038,000 for fiscal years 1994, 1993, and 1992, respectively.

14. INTEREST EXPENSE--NET

<TABLE>
<CAPTION>

	FOR THE FISCAL YEARS ENDED		
	JULY 30, 1994	JULY 31, 1993	AUGUST 1, 1992
<S>	<C>	<C>	<C>
Cash interest expense:*			
DIP Facility interest........................	$ 7,826,000	$ 8,086,000	$ 2,346,000

Mortgage interest	5,328,000	5,495,000	6,767,000
Imputed interest on capitalized leases	6,904,000	4,225,000	3,715,000
Macy Revolving Credit Facility	9,734,000	9,409,000	19,443,000
Six-year Term Loan	12,893,000	12,462,000	14,221,000
Senior Subordinated Debentures	--	--	26,996,000
Subordinated Debentures	--	--	27,641,000
Senior Real Estate Debt	97,517,000	146,862,000	178,986,000
Purchase Note	30,442,000	29,094,000	32,465,000
Other interest expense	1,648,000	2,447,000	991,000
Total cash interest	172,292,000	218,080,000	313,571,000
Non-cash interest expense:			
Amortization of the discount on the Junior Subordinated Discount Debentures	--	--	37,710,000
Additional Interest on Senior Real Estate Debt-- participating loans**	--	(26,212,000)	(39,448,000)
Interest expense associated with deferred liabilities	141,000	132,000	268,000
Interest on taxes due	12,500,000	27,578,000	23,500,000
Amortization of deferred debt expense	16,533,000	19,862,000	18,583,000
Other	232,000	362,000	726,000
Total non-cash interest	29,406,000	21,722,000	41,339,000
Total Interest Expense	201,698,000	239,802,000	354,910,000
Less:			
Interest income	201,000	462,000	969,000
Interest expense capitalized during construction	2,897,000	2,964,000	9,718,000
Interest Expense--Net	$ 198,600,000	$ 236,376,000	$ 344,223,000

</TABLE>

----

* Interest accrued but not paid on pre-petition indebtedness is considered cash interest expense.

** Includes reversal of prior years' expense of $26,212,000 and $52,884,000 in 1993 and 1992, respectively.

15. EARTHQUAKE LOSS

On January 17, 1994, a major earthquake struck the Los Angeles, California area. Several of the Bullock's and I. Magnin stores that operate in this area experienced property damage, merchandise loss, and business interruption. The Bullock's Sherman Oaks and Northridge stores sustained extensive damage. The Sherman Oaks store is expected to be in complete operation by October 1994 while the Northridge store is expected to reopen in late 1995. The $15,000,000 loss recorded reflects the estimated damage and costs related to the earthquake in excess of insurance coverage. Insurance

15. EARTHQUAKE LOSS--(CONTINUED)

proceeds of $73,000,000 were applied against merchandise loss, property damage, business interruption, and other related costs.

16. UNUSUAL ITEMS--NET

The unusual items--net in 1994 included (a) the costs incurred for organizational realignments ($8,292,000) and (b) the costs incurred for business restructuring ($11,208,000). The organizational realignment costs related to the consolidation of various departments and the streamlining of operations. The business restructuring costs related to the elimination of the sale of certain types of merchandise as well as the closing of certain furniture stores.

The unusual items--net in 1993 included (a) the costs incurred for organizational realignments ($19,768,000), (b) the costs incurred for business restructuring ($9,597,000) offset by (c) a gain related to the sale of the registrant's aircraft ($9,110,000). The organizational realignment costs related to the consolidation of various departments and the streamlining of operations. The business restructuring costs relate to the elimination of the sale of certain types of merchandise in various geographic locations. These expenses include severance and other incremental expenses net of disposition proceeds and are part of the key business initiatives undertaken by Macy's beginning in fiscal 1992.

The unusual items--net in 1992 included (a) the write-off of remaining excess of cost over fair value of the net assets acquired during the 1986 acquisition of Former Macy's and the 1988 acquisition for the New Divisions of Federated ($241,452,000), (b) costs incurred for Macy's East-West organizational realignment ($40,000,000), and (c) costs incurred in the one-time liquidation of certain aged inventory in temporary inventory liquidation facilities ($30,000,000). This one-time liquidation resulted from Macy's modification of inventory management policy for the department stores which led to the establishment of its inventory close-out operation, Macy's Close-Out.

As a result of Macy's operating performance, its overall decline in financial condition, economic conditions, and an assessment of the prospects for specific stores, it appeared in fiscal 1992 that future sales, earnings, and cash flow amounts did not substantiate Macy's continuing to carry the remaining excess of cost over fair value of the net assets acquired on its consolidated statements of financial condition. Accordingly, Macy's wrote off the remaining balance in fiscal 1992.

In February 1992, Macy's created two larger regional department store groups, Macy's East and Macy's West, which are comprised of certain operating subsidiaries. Macy's East consists of the Macy's Northeast, Inc. stores as well as the stores of Macy's South Inc. located in Alabama, Florida, Georgia, Louisiana, and South Carolina. Macy's West consists of the Macy's California, Inc. and Bullock's, Inc. stores as well as the stores of Macy's South, Inc. located in Texas. I. Magnin, Inc. was not affected by the realignment.

17. REORGANIZATION ITEMS--NET

The reorganization items--net occurring as a result of the Chapter 11 proceedings have been segregated from operations for the fiscal years ended July 30, 1994, July 31, 1993, and August 1, 1992. The major components of the reorganization items--net are:

<TABLE>
<CAPTION>

	FOR THE FISCAL YEAR ENDED JULY 30,1994	FOR THE FISCAL YEAR ENDED JULY 31,1993	FOR THE FISCAL YEAR ENDED AUGUST 1, 1992
<S>	<C>	<C>	<C>
Reversal of post-petition interest expense accruals on pre-petition secured debt (See Note 8)	$ (57,460,000)	--	--
Estimated expense/(reversal) of expense associated with swap breakage claims on certain asserted agreements (See Note 8)	(33,695,000)	83,695,000	54,115,000
Professional fees and other expenses directly related to the bankruptcy	22,716,000	21,538,000	14,388,000
Retention costs	4,137,000	12,000,000	--
Estimated costs associated with the closing of certain stores and support facilities and estimated costs relating to additional vendor claims (1992)	29,475,000	76,100,000	168,494,000
Restructuring costs	--	21,500,000	--
Write-off of deferred debt expense related to unsecured long-term debt	--	--	16,307,000
Write-off of Preferred Stock issuance costs	--	--	8,280,000
Other	--	2,150,000	2,274,000
	(34,827,000)	216,983,000	263,858,000
Less: Interest earned on accumulated cash resulting from the Chapter 11 proceedings	3,855,000	2,324,000	2,736,000

	$ (38,682,000)	$ 214,659,000	$ 261,122,000

</TABLE>

The estimated costs associated with the closing of certain stores includes the write-off of remaining book value of assets, the related inventory liquidation costs, severance costs, post-closing store expenses, and other incremental expenses net of the estimated disposition proceeds.

18. INCOME TAXES

The provision for income taxes includes the following amounts:

<TABLE>
<CAPTION>

<S>	FISCAL 1994 <C>	FISCAL 1993 <C>	FISCAL 1992 <C>
Deferred federal income tax benefit..................	$ (1,628,000)	$ --	$ --
State and local taxes................................	(1,997,000)	1,000,000	1,000,000
Total provision for income taxes/(benefit).....	$ (3,625,000)	$ 1,000,000	$ 1,000,000

</TABLE>

18. INCOME TAXES--(CONTINUED)

The reconciliation of taxes on income at the federal statutory rate to the actual amounts provided is as follows:

<TABLE>
<CAPTION>

<S>	FISCAL 1994 <C>	<C>	<C>
Tax benefit computed at the Federal statutory rates...	$(59,007,000)		
Adjustment due to:			
Limitation on the utilization of tax benefits......	50,392,000		
Professional fees and other expenses directly related to the bankruptcy.......................	6,987,000		
Federal tax benefit.................................	$ (1,628,000)		

</TABLE>

The Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" ("FASB 109") was adopted as of August 1, 1993. FASB 109 requires, in the year of adoption, an adjustment of certain assets and liabilities that resulted from certain business combinations such as the 1986 Acquisition. The adoption of FASB 109 resulted in a favorable cumulative effect income adjustment of $185,340,000. This statement requires that a deferred tax liability be recognized for the tax effects of taxable temporary differences and deferred tax assets for the tax effects of deductible temporary differences, tax credit carryforwards, and operating loss carryforwards. Tax expense in fiscal 1994 was calculated in accordance with FASB 109.

Under prior accounting rules, an income tax benefit cannot be recognized for the losses incurred in 1993 and 1992 because the benefit is not expected to be recovered as an income tax refund or savings currently or in the near future.

At July 30, 1994, Macy's had an estimated net operating loss carryover of $1,617,000,000 for Federal income tax purposes which includes approximately $636,904,000 of post-petition interest expense not reflected in the accompanying consolidated financial statements. The loss carryover will be available to offset future taxable income through 2009. There is no expiration date on approximately

18. INCOME TAXES--(CONTINUED)

$12,000,000 of the tax credit carryforwards. The tax effect of significant items comprising Macy's net deferred tax liability as of July 30, 1994 are as follows:

<TABLE>

Operating loss carryforwards	$ 565,977,000
Accrued liabilities	117,601,000
Tax credit carryforwards	12,290,000
Capital leases	24,974,000
Other	43,481,000
Subtotal	764,323,000
Property and equipment differences between book and tax	(418,250,000)
Unrecorded post-petition interest	(222,916,000)
Inventory	(20,790,000)
Intangibles	(10,068,000)
Other	(32,086,000)
Subtotal	(704,110,000)
Deferred tax asset	60,213,000
Valuation allowance	(78,933,000)
Deferred tax liability	$ 18,720,000*

</TABLE>

----

* Relates to state jurisdictions which have limitations on the utilization of net operating loss carryforwards.

In 1993, Macy's announced that it reached an agreement with the Internal Revenue Service ("IRS") regarding federal income taxes arising from its audit of fiscal years 1984 through 1991; fiscal years 1992 and 1993 are currently being examined by the IRS. The IRS will have a priority claim for federal income tax of approximately $219 million inclusive of interest. Macy's estimates that its actual liability will be approximately $151 million due to the availability and carryback of certain net operating losses from fiscal year 1992. All appropriate amounts for the agreed-upon settlement with the IRS, including interest, and the related estimated state and local tax impact have been provided for and have been included with Other Liabilities in the caption Obligations Subject to Settlement Under Reorganization Proceedings.

On September 28, 1994, the California Franchise Tax Board approved a settlement of approximately $17 million plus interest beginning on July 29, 1994 relating to the fiscal years 1976 through 1991. Such refund will be recorded as income in the first quarter of fiscal year 1995, will be offset against other amounts due to California, and will result in a net refund of approximately $4 million. The $17 million settlement has not been reflected in the consolidated financial statements as of July 30, 1994.

19. EMPLOYEE BENEFIT PLANS

PENSION PLANS

Macy's has a noncontributory pension plan which covers substantially all employees or employee groups meeting specified eligibility requirements. The benefits are based on years of service and/or

19. EMPLOYEE BENEFIT PLANS--(CONTINUED)

compensation in the five highest of the participant's last ten full years of employment. In general, with minor exceptions, Macy's funding policy has been to contribute annually the maximum contribution permitted for the plan under the full funding limitation of the Employee Retirement Income Security Act of 1974.

The following tables summarize the plan's funded status as of July 30, 1994 and July 31, 1993 and the components of pension expense for the fiscal years 1994, 1993, and 1992:

<TABLE>
<CAPTION>

FUNDED STATUS	JULY 30, 1994	JULY 31, 1993
<S>	<C>	<C>
Actuarial present value of:		
Vested benefit obligation...........	$254,668,000	$239,619,000
Accumulated benefit obligation......	259,641,000	245,991,000
Projected benefit obligation........	340,522,000	322,551,000
Plan assets at fair value*............	367,690,000	363,645,000
Plan assets in excess of projected obligation.........................	27,168,000	41,094,000
Unrecognized asset....................	(67,707,000)	(76,171,000)
Unrecognized loss.....................	52,158,000	48,170,000
Unrecognized prior service cost.......	1,162,000	1,306,000
Prepaid pension costs.................	$ 12,781,000	$ 14,399,000

</TABLE>

----

* Plan assets consist primarily of fixed income securities and listed stocks.

<TABLE>
<CAPTION>

COMPONENTS OF PENSION EXPENSE	1994	1993	1992
<S>	<C>	<C>	<C>
Service Cost....................................	$ 16,871,000	$ 16,358,000	$ 15,254,000
Interest..	24,557,000	25,012,000	22,550,000
Actual return on assets..........................	(31,868,000)	(17,853,000)	(24,957,000)
Amortization of unrecognized net asset...........	(8,463,000)	(8,463,000)	(8,463,000)
Amortization of unrecognized prior service cost..	141,000	145,000	153,000
Asset (loss) deferred...........................	379,000	(13,906,000)	(6,119,000)
Amortization of overfunding in pension plan recorded in connection with the Acquisition....	5,000,000	5,000,000	5,000,000
Pension expense.................................	$ 6,617,000	$ 6,293,000	$ 3,418,000

</TABLE>

<TABLE>
<CAPTION>

ACTUARIAL ASSUMPTION	1994	1993	1992
<S>	<C>	<C>	<C>
Rates of increase in compensation levels.........................	6%	6%	7%
Discount rate...	8%	8%	9%
Expected long-term rate of return on plan assets................	9%	9%	9%

</TABLE>

During 1993 and 1992, Macy's incurred a pension curtailment due to a reduction in the number of employees relating to the consolidation of certain operations and the closing of certain stores. The result was a curtailment gain of approximately $1,394,000 in 1993 and $3,500,000 in 1992.

Also see Note 9, Six-Year Term Loan, for additional information regarding the plan's overfunded status.

19. EMPLOYEE BENEFIT PLANS--(CONTINUED)

SAVINGS AND PROFIT-SHARING PLANS

Macy's also has a savings plan and a terminated profit-sharing plan. The savings plan fund consists of voluntary employee contributions, matching company contributions, and all related earnings. The savings plan expense was $4,827,000, $3,688,000, and $3,992,000 in 1994, 1993, and 1992. The balance in the savings plan fund at July 30, 1994 was $207,407,000. The balance in the profit-sharing fund at July 30, 1994 was $17,299,000. No contributions have been made to the profit-sharing fund since 1976.

POSTRETIREMENT BENEFITS

The Financial Accounting Standards Board Statement No. 106 entitled "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("FASB 106") was adopted on August 1, 1993. This statement requires that employers record the expected cost of postretirement benefits other than pensions during the employees active years of service. Macy's provides medical and life insurance benefits under various plans to certain retirees on a contributory/non-contributory basis.

As of August 1, 1993, the accumulated postretirement obligation was approximately $204,000,000. Macy's is recording this obligation through amortization of the accumulated postretirement benefit obligation over a 20 year period.

The following table sets forth the plans' status at July 30, 1994.

Accumulated Postretirement Benefit Obligations:	
Active--Ineligible	$ 88,950,000
Active--Eligible	8,920,000
Inactive	124,727,000
	222,597,000
Plan assets at fair value	--
Accumulated postretirement benefit obligation in excess of plan assets	222,597,000
Less:	
Unrecognized transition obligation	193,705,000
Unrecognized loss	8,211,000
Accrued Postretirement Benefit Cost	$ 20,681,000

Net periodic postretirement benefit cost for fiscal 1994 included the following components.

Service Cost	$ 6,081,000
Interest Cost	15,834,000
Amortizations of transition obligation over 20 years	10,195,000
	$32,110,000

For measurement purposes, a range of 11.5%-19.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1994; the rate was assumed to decrease gradually to 6.0% for 2005 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point would increase the accumulated postretirement benefit obligation as of July 30, 1994 by $19,252,000 and increase the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $3,209,000.

19. EMPLOYEE BENEFIT PLANS--(CONTINUED)

The weighted average discount rate used in determining the accumulated postretirement benefit obligations was 8.0% and the salary increase rate is age weighted on starting at age 20 at 8.0% decreasing to 4.5% at age 64.

The amounts included as an expense for postretirement benefits under the previous accounting method were approximately $20,000,000 lower in fiscal years 1993 and 1992.

In November 1992, the FASB issued Statement No. 112 entitled "Employers' Accounting for Post Employment Benefits" ("FASB 112"). This statement requires Macy's to recognize, during the employees active years of service, an obligation for post employment benefits provided to former or inactive employees after employment but before retirement. Macy's will adopt FASB 112 as of July 31, 1994 (fiscal year 1995) by recording a cumulative effect of a change in accounting. The cumulative effect (non-cash) of this charge is estimated to be $11,000,000.

20. COMMITMENTS

a) Leases

Macy's and its subsidiaries lease land and/or buildings, warehouses, and distribution facilities, and fixtures and store equipment for certain of their retail stores. The leases generally provide for the payment of real estate taxes and other related expenses and, in certain instances, increased rentals based on percentages of sales. The leases provide for option renewal periods, and some contain purchase options.

Capitalized leases included in property and equipment consist of:

<TABLE>
<CAPTION>

<S>	JULY 30, 1994 <C>	JULY 31, 1993 <C>
Property and equipment...	$111,145,000	$82,515,000
Accumulated depreciation.......................................	42,394,000	29,397,000
	$ 68,751,000	$53,118,000

</TABLE>

Future minimum lease payments and sublease rental receipts due under noncancelable leases as of July 30, 1994 are as follows:

<TABLE>
<CAPTION>

FISCAL YEAR <S>	OPERATING LEASES <C>	CAPITALIZED LEASES <C>	SUBLEASES RELATED PRIMARILY TO CAPITALIZED LEASES <C>
1995...................................	$ 53,346,000	$ 26,021,000	939,000
1996...................................	52,655,000	19,085,000	939,000
1997...................................	49,579,000	16,979,000	939,000
1998...................................	48,588,000	7,403,000	939,000
1999...................................	46,214,000	2,635,000	939,000
2000 and thereafter.....................	365,574,000	30,383,000	4,425,000
	$615,956,000	102,506,000	$ 9,120,000
Less imputed interest..................		32,012,000	
Obligations under capitalized leases....		$ 70,494,000*	

</TABLE>

----

* Includes $11,032,000 recorded in the caption Obligations Subject to Settlement Under Reorganization Proceedings.

20. COMMITMENTS--(CONTINUED)

Rent expense consists of the following:

<TABLE>
<CAPTION>

<S>	FISCAL 1994 <C>	FISCAL 1993 <C>	FISCAL 1992 <C>
Minimum rentals:			
Equipment leases................................	$ 7,943,000	$10,492,000	$ 18,839,000
Premise lease...................................	47,524,000	43,208,000	47,492,000
Contingent rentals*...............................	43,498,000	39,852,000	34,292,000
	$98,965,000	$93,552,000	$100,623,000

</TABLE>

----

* Including $3,858,000, $4,003,000, and $4,749,000 in fiscal years 1994, 1993, and 1992, respectively, applicable to capitalized leases.

b) Data Processing and Information Services Arrangement

Macy's has entered an agreement with the Federated Systems Group ("FSG"), formerly SABRE Group, a division of Federated, pursuant to which FSG will provide certain data processing and information services to Macy's. The Base Price (as defined) for the year that began September 1, 1992, was $59,600,000. The agreement provides for additional Supplemental Fees (as defined) for services in excess of the services included in the Base Price. The Base Price and Supplemental Fees are calculated on the basis of FSG's costs plus a return that covers profit and FSG's development investment. The agreement may be terminated by Macy's, at Macy's election, at intervals from and after September 1, 1997. The amount billed to Macy's was $63,435,000, $61,693,000, and $37,375,000 in fiscal years 1994, 1993, and 1992, respectively.

(c) Employment Arrangements

Macy's has individual employment arrangements with the Chief Executive Officer, President, and the Chairman of Macy's West which contain terms of employment for 3 years for one officer and 5 years for two officers. Additionally, these arrangements provide salary, bonus, benefits, and provisions for termination and severance under certain circumstances.

Macy's also has three-year employment arrangements with 116 executives in order to assure the organization of the continued services of such executives. Commitments for compensation under these agreements, exclusive of benefits provided therein, over the periods that are covered by the agreements (generally three years) totaled approximately $96,000,000. These arrangements provide for the executives to receive a base salary, bonus, and other certain benefits as well as provisions for severance in the event of termination as defined.

Macy's also entered into a revised arrangement in May 1993 with a former officer, who is also a current director. This arrangement provides for services to be rendered to Macy's through July 31, 1995 and contains applicable terms for salary, current benefits, and post-employment and post-retirement benefits.

The commitment for future salaries and an estimate for bonuses under these employment arrangements aggregated approximately $125,000,000 at July 30, 1994.

In August 1994, Macy's and Federated agreed that Macy's may enter into severance, termination, or retention agreements or arrangements ("Program

Agreements") with any of Macy's "Corporate

20. COMMITMENTS--(CONTINUED)

Office" employees, including those with three-year employment arrangements (as described above), provided that the cumulative amount of all payments and healthcare benefit accruals under Program Agreements would not exceed $32,000,000. The $32,000,000 maximum excludes any payments as may be due to the Chief Executive Officer and the President.

On September 30, 1994, a $14,000,000 lump sum payment was made to the President of Macy's upon the termination of his employment. However, if the Merger is not effected, the lump sum payment will be returned to Macy's and the President will return to full-time employment under the terms of his employment arrangement. In addition, as of September 30, 1994, $7,000,000 has been paid under the Program Agreements referred to above, reducing the commitment under employment agreements by a total of $21,000,000.

21. RELATED PARTY TRANSACTIONS

Macy's has transactions with certain related parties. They are as follows:

a) GE Capital owns 19.2% of Macy's outstanding preferred stock.

Macy's and its subsidiaries purchased supplies and entered into transactions relating to radio and television advertising in the net amount of approximately $2,315,000, $3,306,000, and $6,457,000 from affiliates of GE Capital in fiscal years 1994, 1993, and 1992, respectively.

Macy's has an arrangement with GE Capital (from May 1991) or an affiliate in which GE Capital makes remittances to the Macy Operating Companies net of a discount in respect of purchases effected by Macy's customers using credit cards bearing tradenames used by Macy's. The net discount was $23,195,000, $27,704,000, and $20,536,000 in fiscal years 1994, 1993, and 1992, respectively.

The Macy Operating Companies have secured loans from GE Capital in the aggregate amount of $53,200,000 at an annual interest rate of 10.44% (See Note 9--Warehouse Financing).

b) Loews Corporation owns approximately 17.7% of Macy's outstanding preferred stock.

Macy's and its subsidiaries purchased merchandise, entered into transactions relating to radio and television and television advertising, obtained hotel and related services, and purchased insurance from affiliates of Loews Corporation. The approximate total amount expenses was $5,100,000, $5,607,000, and $6,781,000 in fiscal years 1994, 1993, and 1992, respectively.

22. QUARTERLY INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)

<S>	AUGUST TO OCTOBER <C>	NOVEMBER TO JANUARY <C>	FEBRUARY TO APRIL <C>	MAY TO JULY <C>	FISCAL YEAR <C>
52 weeks ended July 30,1994					
Net retail sales...............	$1,438,987	$1,997,244	$1,339,327	$1,387,788	$6,163,346
Cost of goods sold, including occupancy and buying costs...	1,011,971	1,377,325	956,489	1,032,530	4,378,315
Unusual items--net............	--	--	--	19,500	19,500
Earthquake loss................	--	--	35,000	(20,000)	15,000

Reorganization items--net......	8,068	11,585	6,049	(64,384)	(38,682)
Cumulative effect of an accounting change............	185,340	--	--	--	185,340
Net earnings/(loss)............	67,418	60,453	(157,301)	49,803	20,373
Primary earnings/(loss) per share*......................	41.69	37.39	(97.28)	30.80	12.60
Fully diluted income per share*......................	4.61	4.13	--	3.41	1.40
52 weeks ended July 31,1993					
Net retail sales...............	$1,482,637	$2,037,250	$1,336,672	$1,443,423	$6,299,982
Cost of goods sold, including occupancy and buying costs...	1,037,988	1,426,338	950,894	1,046,725	4,461,945
Unusual items--net.............	(9,110)	--	--	29,365	20,255
Reorganization items--net......	8,422	13,407	109,692	83,138	214,659
Net earnings/(loss)............	(135,863)	8,909	(227,954)	(188,993)	(543,901)
Primary earnings/(loss) per share*......................	(84.02)	5.51	(140.97)	(116.88)	(336.36)
Fully diluted income per share*......................	--	0.61	--	--	
52 weeks ended August 1, 1992					
Net retail sales.............	$1,601,271	$2,055,875	$1,304,899	$1,486,840	$6,448,885
Cost of goods sold, including occupancy and buying costs...	1,076,072	1,680,002	919,803	1,077,750	4,753,627
Unusual items..................	30,000	284,926	--	--	314,926
Reorganization items...........	--	102,861	90,720	67,541	261,122
Net loss.......................	(155,356)	(671,575)	(225,866)	(198,510)	(1,251,307)
Net loss per share*............	(101.29)	(417.57)	(139.68)	(122.79)	(782.13)

</TABLE>

----

* Each period is computed separately.

23. SUPPLEMENTARY DATA

The following disclosure of the estimated fair value of financial instruments and related disclosure is made in accordance with the Financial Accounting Standards Board Statement No. 107 entitled "Disclosure about Fair Value of Financial Instruments." The statement requires all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the consolidated statements of financial condition, for which it is practicable to estimate fair value.

23. SUPPLEMENTARY DATA--(CONTINUED)

The uncertainties related to the outcome of the Chapter 11 proceedings and resulting effect upon the ultimate value of assets and liabilities add significantly to the uncertain nature of any estimate of fair value.

The following methods and assumptions were used where it is practicable to estimate fair value:

(i) Cash and cash equivalents, restricted cash, current receivables, accounts payable, accrued liabilities, and short-term borrowings are all short-term in nature and their carrying amounts approximate fair value.

(ii) Notes 1 and 2 discuss the uncertainties of the Chapter 11 proceedings and the Plan which significantly effect the estimated fair value of financial instruments included in Obligations Subject to Settlement Under Reorganization Proceedings. Settlement of these obligations and any related interest is subject to various approvals (See Note 2) by the Bankruptcy Court and other contingencies and other parties of interest and was not fair valued at July 31, 1993. Distributions to creditors of the Macy's Debtors under the Plan have an aggregate estimated assumed value of approximately $4.1 billion. Therefore, the amount utilized as fair value at July 30, 1994 for Obligations Subject to Settlement Under Reorganization Proceedings is based on this assumed value.

(iii) The estimated fair value of Macy's unsecured debt which includes the 14 1/2% Senior Subordinated Debentures, the 14 1/2% Subordinated Debentures, and the 16 1/2% Junior Discount Debentures is based on quoted market prices at July 31, 1993 for those issues that are traded over the counter, and estimates provided by brokers for other issues. However, quoted market prices and broker estimates inherently include judgments concerning the outcome of the Chapter 11 proceedings, and do not represent Macy's opinion as to the amounts that will be received in respect thereof.

ESTIMATED FAIR VALUE
(IN 000'S)

<TABLE>
<CAPTION>

	JULY 30, 1994		JULY 31, 1993	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents, restricted cash and current receivables..................	$ 279,711	$ 279,711	$ 196,118	$196,118
Accounts payable, accrued liabilities, short-term borrowings, and income taxes payable..................................	841,677	841,677	937,592	937,592
Obligations Subject to Settlement Under Reorganization Proceedings................	5,639,810	4,100,000	5,568,603	N/A
Unsecured Debt included in Obligations Subject to Settlement Under Reorganization Proceedings:				
14 1/2% Senior Subordinated Debentures......	379,000	284,400	379,000	135,019
14 1/2% Subordinated Debentures............	383,434	131,000	383,434	59,432
14 1/2% Junior Subordinated Discount Debentures................................	634,428*	66,700	634,428*	45,996

</TABLE>

----

* Face Amount ($503,177,000 accreted value at July 30, 1994 and July 31, 1993)

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
NAME OF DEBTOR	INTEREST RATE	DUE DATE	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS (COLLECTIONS)	BALANCE AT END OF PERIOD
			(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
52 Weeks ended July 30, 1994						
John Kent Anderson(A)......	--	12/24/01	$265	$--	$--	$265
Sheila Arnold(A)...........	--	12/03/06	300	--	33	267
Rudolph Borneo(A)..........	--	08/22/99	250	200	--	450
Charles Chinni(A)..........	--	03/01/04	270	400	270(E)	400
David Coonfield(A).........	--	08/03/02	150	--	150(F)	--
Emily Denning(A)...........	--	11/08/06	109	--	--	109
Burnett Donoho(A)..........	--	04/15/08	600	--	--	600
Donald Eugene(A)...........	--	(H)	585	--	--	585
Paul M. Fitzpatrick(A).....	--	03/02/99	235	--	--	235
Joy Frommer(A)............	--	08/31/96	125	--	--	125
John Gorham(A)............	--	10/31/01	245	--	--	245
Kent Keish(A).............	--	12/11/01	250	--	--	250
James Kenney(A)...........	--	(G)	--	400	400(G)	--
Richard Leto(A)...........	--	12/21/03	--	100	--	100
Tim Lupfer(A).............	--	08/04/03	--	150	--	150
Michael Montanino(A).......	--	10/31/98	200	--	--	200

William Moll(A)............	--	01/11/04	--	150	--	150
Max Roberts(A)............	--	03/01/07	200	--	--	200
Mary Lou Rogers(A).........	--	12/01/03	--	150	--	150
Terry Schaefer(A)..........	--	05/24/04	--	200	--	200
Tom Shull(A)..............	--	(G)	400	--	400(G)	--
Felix Smith(A)............	--	07/31/97	275	--	--	275
Michael Steinberg(A).......	--	07/31/96	--	400	--	400
David Suliteanu(A).........	--	09/09/01	250	--	--	250
Myron E. Ullman, III(A)(B)..................	--	12/18/95	600	--	500(G)	100
Michael Wirkkala(A)........	--	12/11/01	125	--	--	125
52 weeks ended July 31, 1993						
John Kent Anderson(A)......	--	12/24/01	$265	$--	$--	$265
Sheila Arnold(A)...........	--	03/31/96	300	--	--	300
Rudolph Borneo(A)..........	--	08/22/99	250	--	--	250
Rose Marie Bravo(D)(A).....	--	07/21/99	300	--	300	--
Charles Chinni(A)..........	--	03/01/04	270	--	--	270
David Coonfield(A).........	--	08/03/02	--	150	--	150
Emily Denning(A)...........	--	11/08/06	109	--	--	109
Burnett Donoho(A)..........	--	04/15/08	--	600	--	600
Donald Eugene(A)...........	--	(H)	585	--	--	585
Paul M. Fitzpatrick(A).....	--	03/02/99	235	--	--	235
Joy Frommer(A)............	--	08/31/96	125	--	--	125
John Gorham(A)............	--	10/31/01	245	--	--	245
Gary Guthrie(A)............	--	10/24/01	189	--	94	95
David Herman(A)...........	--	10/28/01	155	--	73	82
Kent Keish(A)..............	--	12/11/01	250	--	--	250
Michael Montanino(A).......	--	10/31/98	200	--	--	200
Max Roberts(A)............	--	03/01/07	200	--	--	200
Tom Shull(A)..............	--	(G)	--	400	--	400
Felix Smith(A)............	--	07/31/97	350	--	75	275
David Suliteanu(A).........	--	09/09/01	250	--	--	250
Myron E. Ullman, III(A)(B)..................	--	11/01/18	600	--	--	600
Michael Wirkkala(A)........	--	12/11/01	125	--	--	125

</TABLE>

R.H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
SCHEDULE II--AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES--(CONTINUED)

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
NAME OF DEBTOR	INTEREST RATE	DUE DATE	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS (COLLECTIONS)	BALANCE AT END OF PERIOD
		(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
52 Weeks ended August 1, 1992						
John Kent Anderson(A)......	--	12/24/01	$--	$265	$--	$265
Sheila Arnold(A)...........	--	03/31/96	--	300	--	300
Rudolph Boreno(A)..........	--	08/22/99	250	--	--	250
Rose Marie Bravo(A)........	--	07/21/99	300	--	--	300
Charles Chinni(A)..........	--	03/01/04	270	--	--	270
Emily Denning(A)...........	--	11/08/06	--	109	--	109
Donald Eugene(A)...........	--	(H)	--	585	--	585
Paul M. Fitzpatrick(A).....	--	03/02/99	235	--	--	235
Joy Frommer(A)............	--	08/31/96	--	125	--	125
John Gorham(A)............	--	10/31/01	--	245	--	245
Gary Guthrie(A)............	--	10/24/01	--	189	--	189
David Herman(A)...........	--	10/28/01	--	155	--	155
Kent Keish(A)..............	--	12/11/01	--	250	--	250
Michael Montanino(A).......	--	10/31/98	200	--	--	200
Max Roberts(A)............	--	03/01/07	--	200	--	200
Jeffery Rusinow(C)(A)......	--	06/15/98	200	--	200(C)	0
Felix Smith(A)............	--	07/31/97	--	350	--	350
David Suliteanu(A).........	--	09/09/01	--	250	--	250

Myron E. Ullman, III(A)(B)..................	--	11/01/18	600	--	--	600
Michael Wirkkala(A)........	--	12/11/01	--	125	--	125

</TABLE>

NOTES:

(A) The listed loans were made in connection with certain housing and/or relocation activities.

(B) Mr. Ullman's additional loan relates to his designation as purchaser of certain shares of Macy Common Stock and bears interest at a rate of 8.25% per annum. This loan is due on the earlier of December 18, 1995 or the date on which employment shall cease or terminate for any reason.

(C) Loan was fully paid on August 27, 1991.

(D) Loan was fully paid on January 4, 1993.

(E) Mr. Chinni's loan for $270,000 was fully satisfied in fiscal 1994. The $400,000 additional loan is due by March 1, 2004.

(F) Loan was fully paid on September 14, 1993.

(G) Loan was forgiven in July 1994.

(H) Mr. Eugene's loan will be repaid from the proceeds of the sale of his residence, which is currently being marketed.

SCHEDULE V

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
SCHEDULE V--PROPERTY AND EQUIPMENT

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	OTHER CHANGES ADD (DEDUCT) DESCRIBE	BALANCE AT END OF PERIOD
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
52 weeks ended July 30, 1994:					
Land.....................................	$ 417,072	$ --	$ (12,761)(3)	$ --	$ 404,311
Buildings and improvements on owned properties.............................	1,521,521	6,806(1)	(5,909)(2) (57,224)(3)	18(4)	1,465,212
Buildings and improvements on leased properties.............................	463,602	9,564(1)	(837)(2) (11,491)(3)	17(4) 172,167(5)	633,022
Fixtures and equipment...................	922,579	92,569(1)	(140,755)(2) (34,864)(3)	9,389(4) 17,236(5)	866,154
Construction in progress.................	99,267	143,070)(1) (108,939	(216)(3)	(9,424)(4)	123,758
Capitalized leases.......................	82,515	32,793	(3,559)(2) (604)(3)	--	111,145
Leasehold values.........................	19,210	--	--	1,729(5)	20,939
	$3,525,766	$ 175,863	$(268,220)	$ 191,132	$3,624,541
52 weeks ended July 31, 1993:					
Land.....................................	$ 419,399	$ 346(1)	$ (2,673)(3)	$ --	$ 417,072
Buildings and improvements on owned properties.............................	1,519,722	11,107(1)	(6,601)(2) (1,497)(3)	(1,210)(4)	1,521,521
Buildings and improvements on leased properties.............................	449,656	76,151(1)	(6,859)(2) (58,126)(3)	2,780(4)	463,602
Fixtures and equipment...................	916,249	109,318(1)	(93,629)(2) (18,354)(3)	8,995(4)	922,579
Construction in progress.................	195,257	113,913)(1)	(2,416)(3)	(10,565)(4)	99,267

		(196,922			
Capitalized leases.......................	63,704	21,850	(171)(2)	--	82,515
			(2,868)(3)		
Leasehold values.........................	22,067	--	(2,857)	--	19,210
	$3,586,054	$ 135,763	$(196,051)	$ 0	$3,525,766
53 weeks ended August 1, 1992:					
Land.....................................	$ 428,937	$ 164(1)	$ (9,685)(3)	$ (17)(4)	$ 419,399
Buildings and improvements on owned properties.............................	1,572,326	14,191(1)	(4,711)(2)	(4,667)(4)	1,519,722
			(57,417)(3)		
Buildings and improvements on leased properties.............................	421,979	25,519(1)	(2,327)(2)	42,937(4)	449,656
			(38,452)(3)		
Fixtures and equipment...................	886,029	162,346(1)	(62,416)(2)	(42,759)(4)	916,249
			(26,951)(3)		
Construction in progress.................	146,752	246,219	--	4,506(4)	195,257
		(202,220)(1)			
Capitalized leases.......................	34,903	29,993	(1,192)(3)	--	63,704
Leasehold values.........................	24,083	--	(2,016)(3)	--	22,067
	$3,515,009	$ 276,212	$(205,167)	$ 0	$3,586,054

</TABLE>

See notes to Schedule V--Property and Equipment

R.H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
NOTES TO SCHEDULE V--PROPERTY AND EQUIPMENT

NOTES:

(1) Completed projects transferred to appropriate property and equipment captions.

(2) Fully depreciated assets.

(3) Assets sold or scrapped, including assets in stores closed in the three fiscal years and write-offs due to earthquake damage and lease cancellations in 1994.

(4) Transfers between fixed asset captions.

(5) Property and equipment was increased due to the remeasurement of assets required upon adoption of FASB 109, "Accounting for Income Taxes." (See Note 18 of Notes to Consolidated Financial Statements.)

(6) Depreciation is computed on a straight-line method using the following rates on an annual basis:

(a) Buildings on owned properties:

<TABLE>
<S> <C>

Main store buildings..	2% to 2.5%
Main warehouses...	2% to 5%
Building equipment..	5%
Site improvements...	10%

</TABLE>

(b) Buildings, building improvements, and equipment on leased properties and leasehold values:

Amortized over terms of lease, or at the rates stated in (a) above if those rates result in amortization over a shorter period.

(c) Capitalized leases, recorded in accordance with the provisions of Statement of Financial Accounting Standards No. 13, are amortized over the respective lease terms.

(d) Store fixtures and equipment--primarily 10% to 33-1/3%.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION OF PROPERTY AND EQUIPMENT

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
		ADDITIONS			
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	RETIREMENTS	OTHER CHANGES ADD (DEDUCT) DESCRIBE	BALANCE AT END OF PERIOD
	(DOLLARS IN THOUSANDS)				
52 weeks ended July 30, 1994:					
Buildings and improvements on owned properties...........	$ 455,626	$ 69,279	$ (21,755)(1)		$ 497,241
			(5,909)(2)		
Buildings and improvements on leased properties..........	108,826	38,432	(341)(1)	$ 10(3)	146,090
			(837)(2)		
Fixtures and equipment........	489,224	146,410	(18,236)(1)	(3,921)(3)	472,722
			(140,755)(2)		
Capitalized leases...........	29,397	13,001	(356)(1)	3,911(3)	42,394
			(3,559)(2)		
Leasehold values.............	6,866	1,126	(132)(1)		7,860
	$1,089,939	$268,248	$ (191,880)	$ 0	$1,166,307
52 weeks ended July 31, 1993:					
Buildings and improvements on owned properties...........	$ 393,769	$ 70,181	$ (389)(1)	$ (1,334)(3)	$455,626
			(6,601)(2)		
Buildings and improvements on leased properties..........	106,825	25,827	(16,559)(1)	(408)(3)	108,826
			(6,859)(2)		
Fixtures and equipment........	446,345	141,917	(7,151)(1)	1,742(3)	489,224
			(93,629)(2)		
Capitalized leases...........	18,835	11,482	(749)(1)		29,397
			(171)		
Leasehold values.............	$ 6,620	1,103	(857)(1)	--	6,866
	972,394	$250,510	$ (132,965)	$ 0	$1,089,939
53 weeks ended August 1, 1992:					
Buildings and improvements on owned properties...........	$ 342,255	$ 71,859	$ (16,424)(1)	$ 790(3)	$ 393,769
			(4,711)(2)		
Buildings and improvements on leased properties..........	80,173	25,143	(6,049)(1)	9,885(3)	106,825
			(2,327)(2)		
Fixtures and equipment........	395,788	139,383	(15,735)(1)	(10,675)(3)	446,345
			(62,416)(2)		
Capitalized leases...........	11,490	7,924	(579)(1)	--	18,835
Leasehold values.............	6,020	1,154	(554)(1)	--	6,620
	$ 835,726	$245,463	$ (108,795)	$ 0	$ 972,394

</TABLE>

NOTES:
(1) Assets sold or scrapped including assets in stores closed in the three fiscal years and write-offs due to earthquake damage and lease cancellations in 1994.
(2) Fully depreciated assets.
(3) Transfer between reserve captions.

SCHEDULE IX

R.H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)

AND CONSOLIDATED SUBSIDIARIES
SCHEDULE IX--SHORT-TERM BORROWINGS

CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS (COLUMN A)	BALANCE AT END OF PERIOD (COLUMN B)	WEIGHTED AVERAGE INTEREST RATE (COLUMN C)	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD (COLUMN D)	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (1) (COLUMN E)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (2) (COLUMN F)
52 weeks ended July 30, 1994:					
Debtor-in-Possession Facility(3)....	$ --	--	$ 306,300	$62,654	6.00%
Macy Revolving Credit Facility(4)...	$ --	--	$ --	$--	--
52 weeks ended July 31, 1993:					
Debtor-in-Possession Facility(3)....	$ 65,900	6.67%	$ 290,000	$58,563	6.57%
Macy Revolving Credit Facility(4)...	$ --	--	$ --	$--	--
52 weeks ended August 1, 1992:					
Debtor-in-Possession Facility(3)....	$ --	--	$ --	$--	--
Macy Revolving Credit Facility(4)...	$ --	--	$ --	$--	--

NOTES:

(1) Average amount outstanding during the period is computed by dividing the total of weekly outstanding principal balances by the weeks during the period.

(2) Weighted average interest rate during the period is computed by dividing the actual short-term interest expense by the average short-term debt outstanding during the period.

(3) The Post-Petition Credit Agreement dated as of January 27, 1992 was amended and restated on August 12, 1993. The agreement provides a working capital facility, subject to certain sublimits, not to exceed $550,000,000 (amended from $600,000,000). On August 26, 1994, the maximum working capital facility was reduced at Macy's option by $100,000,000 to $450,000,000. The Amended and Restated Post-Petition Credit Agreement terminates upon the earlier of (1) August 1, 1995 or (2) the substantial consummation of a plan of reorganization of Macy's or certain of its subsidiaries. Macy's pays interest at a rate per annum equal to 1.5% plus the alternative Base Rate or at Macy's option, at a rate of 2.5% per annum in excess of the reserve adjusted London Interbank Offered Rate.

(4) The original Macy Bank Agreement dated as of July 10, 1986 was amended and restated as of April 27, 1988. The Macy Revolving Credit Facility reflects the terms of the amended and restated Macy Bank Agreement which provided for a six-year revolving working capital line of credit, subject to certain sublimits, not to exceed $587,700,000. Macy's paid the banks interest on the average daily principal amount outstanding under the revolving credit agreement at a rate per annum equal to 1.25% plus the Base Rate or, at Macy's option, 2.25% plus the Eurodollar Rate. Macy's is in default of the Macy Bank Agreement as a result of its Chapter 11 cases. Therefore the amount outstanding under the revolving credit agreement is included in Obligations Subject to Settlement Under Reorganization Proceedings.

R.H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

COLUMN A	COLUMN B
	CHARGED TO COSTS AND EXPENSES
	YEAR ENDED
	AUGUST

ITEM	JULY 30, 1994 (52 WEEKS)	JULY 31, 1993 (52 WEEKS)	1, 1992 (52 WEEKS)
Depreciation of property and equipment......................	$268,248	$250,510	$245,463
Taxes, other than payroll and income taxes(1)...............	$ 60,429	$ 61,556	$ 63,744
Rents..	$ 98,965	$ 93,552	$100,623
Advertising costs..	$385,155	$417,029	$455,725

</TABLE>

NOTES:

(1) Processing taxes, liquor taxes, and import duties have all been charged to cost of sales. They are not included herein because they are considered to be part of the initial purchase cost of merchandise; a segregation of such taxes is not practicable.

(2) No other required information has been presented since the amounts do not exceed 1% of total sales as reported in the related consolidated statement of operations.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE QUARTER ENDED OCTOBER 29, 1994	FOR THE QUARTER ENDED OCTOBER 30, 1993
	(13 WEEKS) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE)	
Net retail sales (including licensed departments) (Note 9)..	$1,480,007	$1,438,987
Less:		
Cost of goods sold, including occupancy and buying costs...	1,045,834	1,011,971
Selling, general, and administrative expenses......	445,251	472,115
Unusual item (Note 4).............................	80,000	--
Loss from operations before interest expense and reorganization items............................	(91,078)	(45,099)
Interest expense--net (contractual interest of $123,627 in fiscal 1995 and $121,762 in fiscal 1994) (Note 3)..................................	52,064	67,953
Loss before reorganization items..................	(143,142)	(113,052)
Reorganization items--net (Note 5)................	6,740	8,068
Loss before income tax benefit and cumulative effect of accounting changes....................	(149,882)	(121,120)
Income tax benefit (Note 7)........................	(30,449)	(3,198)
Loss before cumulative effect of accounting changes...	(119,433)	(117,922)
Cumulative effect of accounting changes--net (Notes 7 and 8)..	(10,657)	185,340
Net earnings/(loss)...............................	$ (130,090)	$ 67,418
Primary earnings/(loss) per share of common stock		

(Note 10):		
Loss before cumulative effect of accounting changes	$ (73.86)	$ (72.93)
Cumulative effect of accounting chances--net	(6.59)	114.62
Net earnings/(loss)	$ (80.45)	$ 41.69
Fully diluted earnings per share (Note 10):		
Loss before cumulative effect of accounting changes		$ (8.07)
Cumulative effect of accounting changes--net		12.68
Net earnings/(loss)		$ 4.61

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL CONDITION

<TABLE>
<CAPTION>

	OCTOBER 29, 1994	OCTOBER 30, 1993	JULY 30, 1994
	(UNAUDITED) (DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 34,529	$ 43,240	$ 112,677
Restricted cash	54,870	38,868	44,393
Merchandise inventories (Note 6)	1,524,576	1,574,601	1,244,253
Other current assets	192,083	201,686	184,911
Total Current Assets	1,806,058	1,858,395	1,586,234
Other Assets	85,908	125,905	99,318
Property and Equipment (including capitalized leases), at cost, less accumulated depreciation of $1,214,096, $1,119,371 and $1,166,307	2,419,036	2,583,200	2,458,234
	$ 4,311,002	$ 4,567,500	$ 4,143,786
LIABILITIES AND DEFICIENCY IN NET ASSETS			
Current Liabilities:			
Short-term borrowings--net (Note 3)	$ 133,072	$ 244,362	$ --
Accounts payable and accrued liabilities (Note 3)	969,668	1,001,458	841,167
Current income taxes (Note 7)	589	179	510
Current portion of obligations under capitalized leases (Note 2)	14,529	13,274	15,222
Total Current Liabilities	1,117,858	1,259,273	856,899
Deferred Taxes (Note 7)	2,484	20,520	18,720
Other Long-Term Liabilities (Note 3)	145,214	125,048	128,435
Obligations Under Capitalized Leases (Note 3)	40,884	25,042	44,240
Obligations Subject to Settlement Under Reorganization Proceedings (Note 3)	5,678,970	5,634,890	5,639,810
Deficiency in Net Assets:			
Common stock	1,750	1,750	1,750
Deficit	(2,674,825)	(2,497,690)	(2,544,735)
Less:			
Treasury shares, at cost	(1,333)	(1,333)	(1,333)
Deficiency in Net Assets	(2,674,408)	(2,497,273)	(2,544,318)
	$ 4,311,002	$ 4,567,500	$ 4,143,786

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE QUARTER ENDED	
	OCTOBER 29, 1994	OCTOBER 30, 1993
	(13 WEEKS) (DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Operating Activities:		
Net earnings/(loss).......................................	$(130,090)	$ 67,418
Adjustments to reconcile net earnings/(loss) to net cash used for operating activities:		
Items not requiring the outlay of cash:		
Depreciation and amortization.......................	71,962	75,491
Interest accrued on pre-petition secured debt........	41,175	53,191
Non-cash interest...................................	7,417	10,337
Accrued postretirement benefits.....................	6,507	6,500
Cumulative effect of accounting changes--net.........	10,657	(185,340)
Deferred taxes......................................	(15,893)	--
Increase in working capital (excluding cash and cash equivalents and current portion of debt instruments)	(169,392)	(185,571)
Decrease/(increase) in working capital due to reorganization proceedings.........................	(7,701)	6,186
Other...	7,473	556
Net cash used for operating activities...............	(177,885)	(151,232)
Investing Activities:		
Additions to property and equipment..................	(30,099)	(22,039)
Net cash used for investing activities...............	(30,099)	(22,039)
Financing Activities:		
Reduction in obligations under capitalized leases....	(5,064)	(4,486)
Increase in short-term borrowings...................	134,900	184,300
Cost of short-term borrowings.......................	--	(4,836)
Net cash provided by financing activities...........	129,836	174,978
Increase/(Decrease) In Cash and Cash Equivalents.......	(78,148)	1,707
Cash and Cash Equivalents, Beginning of Period.........	112,677	41,533
Cash and Cash Equivalents, End of Period...............	$ 34,529	$ 43,240

</TABLE>

SUPPLEMENTAL INFORMATION

Amounts in this statement of cash flows are presented on a cash basis and may differ from those in other sections of this report.

Interest amounts paid (excluding interest expense capitalized during construction) for the quarters ended October 29, 1994 and October 30, 1993 were $2,818,000 and $4,549,000, respectively.

Income taxes paid net of tax refunds received for the quarters ended October 29, 1994 and October 30, 1993 were $170,000 and $450,000, respectively.

See Notes to Condensed Consolidated Financial Statements.

R. H. MACY & CO., INC.
(DEBTOR-IN-POSSESSION)
AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying Notes to Condensed Consolidated Financial Statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the annual report on Form 10-K for the fiscal year ended July 30, 1994 for R.H. Macy & Co., Inc. ("Macy's") and its consolidated subsidiaries filed with the Commission. In the opinion of management, all adjustments necessary for a fair presentation of the results of operations for the interim period have been included. Because of the seasonal nature of the business, results for the interim period are not necessarily indicative of a full year's operations.

2. On July 14, 1994, the respective Boards of Directors of Macy's and Federated Department Stores, Inc. ("Federated") announced that they had reached an agreement in principle on a merger which would be effected as part of a joint plan of reorganization of Macy's and all subsidiaries that filed a Chapter 11 case ("Macy Debtors") in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court"). (Federated's wholly-owned subsidiary, Federated Noteholding Corporation ("FNC"), is one of the largest secured creditors of the Macy Debtors.) On October 21, 1994, the Macy Debtors and Federated (collectively, the "Plan Proponents") filed a Second Amended Joint Plan of Reorganization of R.H. Macy & Co., Inc. and Certain of its Subsidiaries in the Bankruptcy Court, having previously filed versions thereof with the Bankruptcy Court on July 29, 1994 and August 31, 1994, respectively. The Second Amended Joint Plan was further modified on December 7, 1994 (as modified, the "Plan") and confirmed by order of the Bankruptcy Court entered on December 8, 1994. In addition, Macy's and Federated executed and delivered an Agreement and Plan of Merger, dated as of August 16, 1994 (the "Merger Agreement"), providing for the merger of Federated with and into Macy's (the "Merger"), with Macy's being the surviving corporation (the "Combined Company") and being renamed "Federated Department Stores, Inc." upon the consummation of the Merger. The execution and delivery of the Merger Agreement and certain provisions thereof were approved by the Bankruptcy Court on September 8, 1994.

A principal element of the Plan is the Merger. Macy's and Federated presently intend to seek to cause the effective time of the Merger (the "Effective Time of the Merger"), the date on which the Plan becomes effective (the "Effective Date of the Plan") and substantial consummation of the Plan to occur in December 1994. The Effective Time of the Merger and the Effective Date of the Plan will occur simultaneously. After consummation of the Merger, the Combined Company will operate the existing businesses of Macy's and Federated. Consistent with the structure of the Merger Agreement, the transaction is to be accounted for as a reverse acquisition in which Federated is the acquirer for accounting purposes.

In addition to the Merger, the Plan provides for, among other things: (i) the cancellation of all existing capital stock and other equity interests of Macy's without payment of any consideration thereof; (ii) the cancellation of certain indebtedness (including Macy's three issues of subordinated debentures and other unsecured indebtedness) and the discharge of related claims against the Macy Debtors in exchange for cash, new indebtedness of the Combined Company and certain of its subsidiaries, or new equity interests of the Combined Company; (iii) the discharge of other prepetition claims against the Macy Debtors; (iv) the settlement of certain contingent claims and releases of certain claims of the Macy Debtors and other persons or entities; and (v) the

assumption, assumption and assignment, or rejection of each executory contract and unexpired lease to which any Macy Debtor is a party. The Plan provides for (a) the distribution of cash to unaffiliated third parties in an estimated aggregate amount of approximately $0.4 billion, (b) the issuance, reinstatement, or assumption of indebtedness to unaffiliated third parties in an estimated aggregate amount of approximately $1.9 billion, and (c) the issuance to unaffiliated third parties of common stock, par value $0.01 per share, of the Combined Company ("New Combined Company Common Stock") and warrants to purchase shares of New Combined Company Common Stock ("New Warrants") with an assumed aggregate value, solely for purposes of developing the Plan, of approximately $1.2 billion. There can be no assurance, however, that the New Combined Company

Common Stock will have the value assumed for purposes of developing the Plan. The assumed value of the New Combined Company Common Stock and the New Warrants is the value assumed and contained in the Plan and does not purport to represent an estimate of the actual market value of the New Combined Company Common Stock or the value of the New Warrants.

There are a number of procedural and substantive requirements to the Plan becoming effective under the Bankruptcy Code and certain conditions to such effectiveness set forth in the Plan. Among others, the Plan becoming effective is conditioned upon the satisfaction or waiver of the following conditions: (i) the aggregate amounts of specified categories of claims against the Macy Debtors, including certain cash payment claims, having been estimated or determined by Bankruptcy Court orders (to the extent the Bankruptcy Court has jurisdiction) that are not subject to any stay in amounts that do not exceed the Macy Debtors' estimated aggregate amounts for each such category of claims used in connection with the development of the Plan (which condition has been waived by Federated); (ii) the order of the Bankruptcy Court confirming the Plan (the "Confirmation Order") being reasonably acceptable in form and substance to each of Federated and Macy's, which order was signed and entered by the Bankruptcy Court on December 8, 1994; and (iii) the New Combined Company Common Stock being authorized for listing on the New York Stock Exchange, Inc. (the "NYSE") upon official notice of issuance. Additionally, there are certain conditions that must be satisfied for the Plan to become effective. There can be no assurance that these conditions will be satisfied.

The obligations of Federated and Macy's to consummate the Merger are conditioned upon, among other things: (i) the absence of any pending injunction, order, or decree of any governmental authority restraining the Merger or the consummation of the transactions contemplated by the Plan; (ii) the absence of any law promulgated or enacted restraining the Merger or the transactions contemplated by the Plan; (iii) all consents and approvals of any governmental authority to the Merger having been obtained and remaining in effect at the Effective Time of the Merger, other than any that, if not obtained, would not have a material adverse effect on the business, financial condition, or results of operations of the Combined Company and its subsidiaries, taken as a whole, or any antitrust authorizations not obtained as a result of Federated's failure to divest, hold, separate, or take other action (or its failure to agree to do any thereof) with respect to its or the Combined Company's assets to the extent required by the Merger Agreement; (iv) all other consents, approvals, and authorizations required to be obtained by either party having been obtained and remaining in effect at the Effective Time of the Merger, other than any that, if not obtained, would not have a material adverse effect on the business, financial condition, or results of

operations of the Combined Company and its subsidiaries, taken as a whole, or any consents and approvals of Federated's institutional lenders; (v) the adoption by Federated's stockholders of the Merger Agreement (which occurred on November 29, 1994); (vi) a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), for the shares of New Combined Company Stock to be issuable in connection with the Merger having been declared effective by the Securities and Exchange Commission (which occurred on October 21, 1994) and not subject to any stop order or proceedings seeking the same; (vii) the shares of the New Combined Company Common Stock having been authorized for listing on the NYSE upon official notice; and (viii) the Bankruptcy Court having entered the Confirmation Order (which occurred on December 8, 1994), at least 10 days having passed since entry of such order and it not having been subject to any stay, and all conditions to the Effective Date of the Plan having been satisfied or duly waived.

Accordingly, notwithstanding confirmation of the Plan by the Bankruptcy Court, the Plan and Merger remain subject to certain other conditions, some of which are beyond Macy's's control.

3. On January 27, 1992, Macy's, together with nine of its subsidiaries, filed voluntary petitions for reorganization under chapter 11 ("Chapter 11"), title II of the United States Code, as amended (the "Bankruptcy Code") in the Bankruptcy Court. On January 31, 1992, seventy-eight additional subsidiaries each commenced a Chapter 11 case in the Bankruptcy Court. The Macy Debtors are currently operating their respective businesses as debtors-in-possession. Two

statutory creditor committees have been appointed. The cases of Macy's's subsidiaries that filed such petitions are being jointly administered with the case of Macy's for procedural purposes only.

The Condensed Consolidated Financial Statements of Macy's have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations in the ordinary course of business. Additionally, the amounts reported on the Condensed Consolidated Statement of Financial Condition could materially change in the future because of the Plan, since such reported amounts do not give effect to adjustments to the carrying value of the underlying assets or amounts of liabilities that may ultimately result. As a result of the Chapter 11 cases and circumstances relating to this event, including Macy's leveraged debt structure, and operating losses and economic conditions, such realization of assets and liquidation of liabilities are subject to significant uncertainty.

Generally, actions to enforce or otherwise effect the payment of pre-petition liabilities are stayed while the Macy Debtors are under the protection of the Bankruptcy Code. These liabilities are being resolved as part of the reorganization proceedings. Additional liabilities subject to similar resolution may arise as a result of claims filed by parties related to the rejection of any executory contracts, including unexpired leases, and from the Bankruptcy Court's allowance for contingent and other disputed claims.

On February 13, 1992, the Bankruptcy Court entered a final order approving a debtor-in-possession financing arrangement under a Revolving Credit and Guaranty Agreement, dated as of January 27, 1992 (which, as amended, through March 31, 1993, is referred to herein as the "Post-Petition Credit Agreement"), among Macy's, as Borrower, each of the other Macy Debtors, as guarantors, Chemical Bank, as administrative agent, Bankers Trust Company, as co-agent, and

other financial institutions parties thereto that established a working capital facility consisting of revolving credit loans and letters of credit.

On August 12, 1993, the Post-Petition Credit Agreement was amended and restated on similar terms, as approved by a Bankruptcy Court order dated September 8, 1993, pursuant to an Amended and Restated Credit and Guaranty Agreement, among Macy's, as Borrower, each of the other Macy Debtors, as guarantors, Chemical Bank, as administrative agent, Bankers Trust Company, as co-agent, and the other financial institutions party thereto (as subsequently amended, the "Amended and Restated Post-Petition Credit Agreement"). Under the Amended and Restated Post-Petition Credit Agreement, the working capital facility (the "Working Capital Facility"), consisting of revolving credit loans and letters of credit, is in the aggregate maximum amount of $550,000,000. On August 26, 1994, the maximum working capital facility was reduced at Macy's option by $100,000,000 to $450,000,000 and on October 28, 1994, the maximum working capital facility was further reduced at Macy's option by $50,000,000 to $400,000,000 due to lower projected borrowing requirements. The Working Capital Facility may be used to fund working capital, inventory purchases, capital expenditures, and for other general corporate purposes of the Macy Debtors. Borrowings under the Amended and Restated Post-Petition Credit Agreement are conditioned upon, among other things, satisfaction of certain Borrowing Base (as defined therein) requirements, and compliance with restrictions on capital expenditures and certain other payments, as well as covenants relating to EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the Amended and Restated Post-Petition Credit Agreement). The Amended and Restated Post-Petition Credit Agreement terminates upon the earlier of (i) August 1, 1995 or (ii) the substantial consummation of a plan of reorganization of the Company or certain of its subsidiaries.

Claims in respect of indebtedness incurred by the Macy Debtors under the Amended and Restated Post-Petition Credit Agreement are afforded superpriority administrative expense claim status pursuant to applicable provisions of the Bankruptcy Code.

Substantially all of Macy's pre-petition short and long-term debt at October 29, 1994 is in default of the terms of the applicable loan agreements and is subject to settlement under the reorganization process. For financial reporting purposes, these liabilities, which are being resolved as part of the Chapter 11 process, have been segregated and reclassified as "Obligations Subject to Settlement Under Reorganization Proceedings." Payment of certain pre-petition liabilities that were approved for payment by the Bankruptcy Court or are pending approval have been included in the appropriate liability captions.

The estimated obligations at October 29, 1994 that are subject to settlement as part of a plan of reorganization are listed below.

<TABLE>

<S>	<C>
Accounts payable and accrued liabilities.................	$ 705,073,000
Accrued interest on long-term debt.......................	521,716,000
Secured debt..	2,320,632,000
Unsecured debt..	1,265,611,000
Obligations under capitalized leases.....................	10,017,000
Other long-term liabilities..............................	218,606,000
Convertible preferred stock (redeemable).................	637,315,000
	$5,678,970,000

</TABLE>

Generally, interest on pre-petition debt does not accrue after the commencement of the Chapter 11 case. If the debts are secured by property with a value that is greater than the amount of the debt, interest may accrue up to the value of the collateral. Macy's was accruing interest on secured debt pending obtaining an estimate of the fair market value of the property securing such debt. Following negotiations with representatives of the various secured lenders and the development of the Plan in fiscal 1994, Macy's revised estimates for the post-petition accrued interest that would be paid upon confirmation of the Plan. Accordingly, the accrual of interest expense on certain secured debt instruments ceased. Interest expense on certain other pre-petition secured debt continues to be accrued but remains subject to settlement. Such accrual of interest on secured indebtedness is being recorded at the interest rates applicable under the respective loan agreements without regard to default and penalty provisions contained therein. Macy's has ceased accruing interest expense on unsecured debt. Contractual interest not recorded on such unsecured debt aggregated $53,809,000 in each of the fiscal quarters ended October 29, 1994 and October 30, 1993. Contractual interest not recorded on secured debt aggregated $17,754,000 for the quarter ended October 29, 1994.

Numerous claims have been asserted in respect of various pre-petition obligations, which claims individually or in the aggregate may be material and may not currently be reflected as obligations subject to settlement. The last day on which these claims may be filed against the Macy Debtors, with certain exceptions, was December 15, 1992, and over 17,000 claims aggregating an amount substantially in excess of the amounts reported in the Condensed Consolidated Statement of Financial Condition under the caption "Obligations Subject to Settlement Under Reorganization Proceedings" have been filed as of November 26, 1994. Based on an ongoing review and reconciliation of claims, Macy's believes that a number of these claims are duplicative of an/or supersede claims previously asserted. In addition, claims have been filed which do not state a specific claim amount or as to which a specific claim amount is not readily determinable. Pursuant to Bankruptcy Court orders entered in 1993, certain exact duplicate claims and duplicate bondholder claims were expunged. In March 1994, the Bankruptcy Court ordered the expunging and disallowing of certain proofs of claims which had been filed after the December 15, 1992 bar date. Claims will continue to be reviewed and analyzed by Macy's as part of the claims reconciliation process and objections filed as required. As this review process continues, the aggregate amount included in the estimate of petition date obligations subject to settlement may increase or otherwise be adjusted to reflect the ongoing analyses of claims filed and the aggregate amounts which may be allowed in respect thereof. Macy's, at this time, cannot make a prediction as to the aggregate amount of claims allowed or the ultimate treatment of such allowed claims under a plan of reorganization.

Commencing on the Chapter 11 filing date, Macy's ceased accruing dividends on its Convertible Preferred Stock (redeemable) (referred to in these Condensed Consolidated Financial Statements as "Preferred Stock") and has included the Preferred Stock and the cumulative accrued but unpaid dividends prior to the filing date on such stock on "Obligations Subject to Settlement Under Reorganization Proceedings". Under applicable bankruptcy law, the holders of the Preferred Stock of Macy's are not considered creditors. Under the Plan, all common and Preferred Stock of Macy's will be cancelled and no distributions will be made on account of such equity interests.

4. In October 1994, Macy's recorded an unusual charge of $80,000,000 relating to a portion of the severance and related costs resulting from the proposed Merger (see Note 2). These severance and other costs are primarily related to the terminations associated with the elimination of Macy's corporate offices (including the positions of chief executive officer and chief operating officer) and certain store group executives.

5. The reorganization items--net occurring as a result of the Chapter 11 proceedings have been segregated from operations. The major components of the reorganization items--net are:

<TABLE>
<CAPTION>

	FOR THE QUARTER ENDED	
	OCTOBER 29, 1994	OCTOBER 30, 1993
<S>	<C>	<C>
Professional fees and other expenses directly related to the bankruptcy..................	$ 7,961,000	$8,534,000
Less: Interest earned on accumulated cash resulting from the Chapter 11 proceedings...	(1,221,000)	(466,000)
	$ 6,740,000	$8,068,000

</TABLE>

6. The value of merchandise inventories is determined by the lower of LIFO (last-in, first-out) cost using the retail inventory method or market for about 75% of the total inventory, and the lower of the FIFO (first-in, first-out) cost using the retail inventory method or market for the balance of the inventory. If inventories had been valued at the lower of FIFO cost or market, inventories would have increased by $121,735,000, $107,563,000 and $119,235,000 at October 29, 1994, October 30, 1993 and July 30, 1994, respectively.

7. The Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes" ("FASB 109") was adopted as of August 1, 1993. FASB 109 requires, in the year of adoption, an adjustment of certain assets and liabilities that resulted from certain business combinations, such as the 1986 Acquisition. This statement requires that a deferred tax liability be recognized for the tax effects of taxable temporary differences and deferred tax assets for the tax

effects of deductible temporary differences, tax credit carryforwards and operating loss carryforwards. The adoption of FASB 109 resulted in a favorable cumulative effect adjustment of $185,340,000. Income tax benefit for the quarters ended October 29, 1994 and October 30, 1993 was calculated in accordance with FASB 109.

At October 29, 1994, Macy's had a deferred tax asset of $286,742,000 representing primarily a federal income tax benefit offset by a valuation allowance of like amount.

In September 1994, the California Franchise Tax Board approved a settlement of approximately $17 million relating to fiscal years 1976 through 1991 which resulted in net benefit of $14.8 million. Such benefit was recorded in the quarter ended October 29, 1994.

On November 9, 1994, Macy's entered into a closing agreement with the Internal Revenue Service which fixed the net operating loss carryover for federal tax purposes at $815,146,000 through fiscal year 1993. Such closing agreement resulted in a state tax benefit of approximately $11,200,000. Macy's estimates that the federal net operating loss carryover will increase by $232,000,000 for fiscal year 1994 results (with the aggregate net operating loss carryover at July 30, 1994 of $1,047,146,000). The loss carryover will be available to offset future taxable income through the year 2009. The ability of the Combined Company to utilize such loss carryover is dependent upon a number of factors. There is no expiration date on approximately $12,000,000 of the tax credit carryforwards.

8. The Financial Accounting Standards Board No. 112, "Accounting for Post Employment Benefits" (FASB 112"), was adopted as of July 31, 1994. FASB 112 requires Macy's to recognize, during the employees active years of service, an obligation for post employment benefits provided to former or active employees, after employment but before retirement. The adoption of FASB 112 resulted in an unfavorable cumulative effect adjustment (non-cash) of $10,657,000 net of taxes.

9. Net retail sales included sales from licensed departments of $18,877,000 and $15,159,000 for the quarters ended October 29, 1994 and October 30, 1993.

10. Primary earnings/(loss) per share of common stock attributable to common stockholders was computed based upon the weighted average number of shares outstanding during the period. Fully diluted earnings per share of common stock assumed the conversion of Preferred Stock. The effect of the assumed conversion of the Preferred Stock on the amounts per share for the quarter ended October 29, 1994 is antidilutive and therefore only primary earnings/(loss) per share of common stock is presented.

11. In November 1994, Macy's and Federated announced plans to discontinue operations of the I. Magnin retail store group. Four or more I. Magnin locations are expected to be converted to Macy's or Bullock's stores. Options for the remaining locations will be explored. The costs associated with the discontinuation of the I. Magnin operations have not been estimated at this time.

12. Certain reclassifications have been made to the October 30, 1993 condensed consolidated financial statements to conform with classifications used at October 29, 1994.